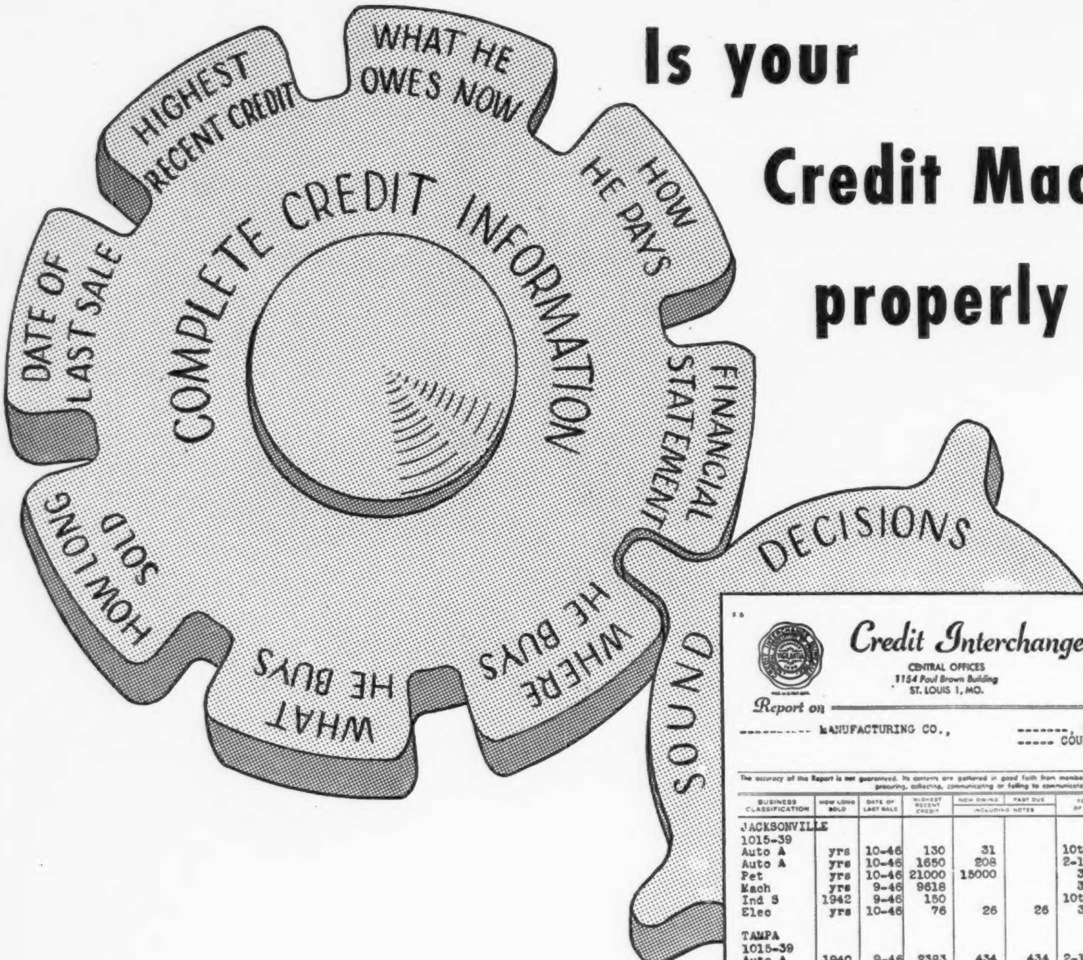
CREDIT

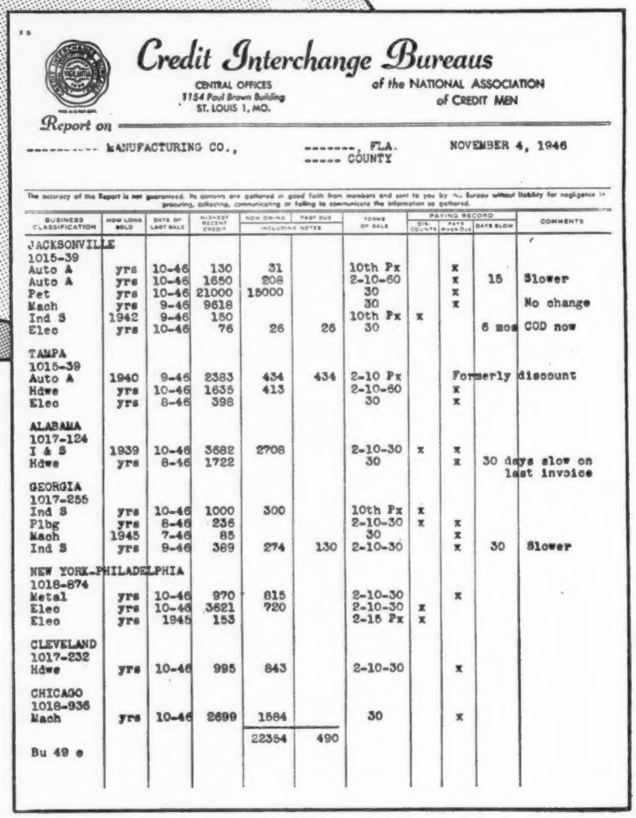
and Financial Management

Photo—Ewing Galloway

DECEMBER 1946. *In This Issue:* **Organizing an Effective Credit Department • Danger Signs for Business • Credit Managers I Have Met • The Cash Discount**

Is your Credit Machinery properly geared?





Credit Interchange Bureaus
CENTRAL OFFICES
1154 Paul Brown Building
ST. LOUIS 1, MO.
of the NATIONAL ASSOCIATION of CREDIT MEN

Report on

---------- MANUFACTURING CO., -------, FLA. ----- COUNTY NOVEMBER 4, 1946

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Business Classification	How Long Sold	Date of Last Sale	Highest Recent Credit	Now Owing (Including Notes)	Past Due (Including Notes)	Terms of Sale	Paying Record: Discounts	Paying Record: Pays When Due	Paying Record: Days Slow	Comments
JACKSONVILLE 1015-39										
Auto A	yrs	10-46	130	31		10th Px		x		
Auto A	yrs	10-46	1650	208		2-10-60		x	15	Slower
Pet	yrs	10-46	21000	15000		30		x		
Mach	yrs	9-46	9618			30		x		No change
Ind S	1942	9-46	150			10th Px	x			
Elec	yrs	10-46	76	26	26	30			6 mos	COD now
TAMPA 1015-39										
Auto A	1940	9-46	2383	434	434	2-10 Px				Formerly discount
Hdwe	yrs	10-46	1635	413		2-10-60		x		
Elec	yrs	8-46	398			30		x		
ALABAMA 1017-124										
I & S	1939	10-46	3682	2708		2-10-30	x	x		
Hdwe	yrs	8-46	1722			30		x		30 days slow on last invoice
GEORGIA 1017-255										
Ind S	yrs	10-46	1000	300		10th Px	x			
Plbg	yrs	8-46	236			2-10-30	x	x		
Mach	1945	7-46	85			30		x		
Ind S	yrs	9-46	389	274	130	2-10-30		x	30	Slower
NEW YORK-PHILADELPHIA 1018-874										
Metal	yrs	10-46	970	815		2-10-30		x		
Elec	yrs	10-46	3621	720		2-10-30	x			
Elec	yrs	1945	153			2-15 Px	x			
CLEVELAND 1017-232										
Hdwe	yrs	10-46	995	843		2-10-30		x		
CHICAGO 1018-936										
Mach	yrs	10-46	2699	1584		30		x		
				22354	490					
Bu 49 e										

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CREDIT
AND FINANCIAL MANAGEMENT

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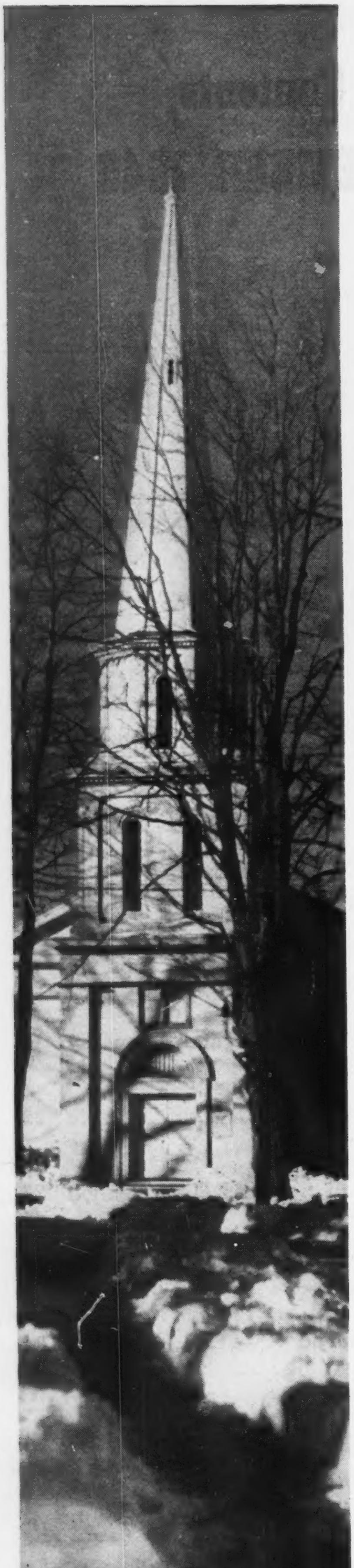


Christmas

1946

Once again we commemorate the birth of Christ in a period of world unrest. The human cruelties of our age at times seem even more terrible than those that were practiced in the Dark Ages. There is much suffering abroad; families are broken, homes are destroyed, many have paid the supreme sacrifice. We seem to live in an age in which people lack understanding and the ability to live peacefully together.

As we face this Christmas day we are striving in every way to put an end to wars and the suffering they cause. Our efforts have not been too successful. Our beginning may not be considered auspicious, but the essential thing is that we are trying and that in the years ahead we constantly keep trying, irrespective of the temporary failures encountered.

We can learn a great deal from the suffering of Christ, from the forbearance and patience He exercised and from the unselfishness and devotion He practiced on earth. The light of the gospel He preached has never been extinguished; it never should be.

On this Christmas day let us resolve more than ever to seek that peace only through principles He taught and not only on Christmas day, but throughout the years to come, to keep Him in mind as we go about our daily task. Our resolution should be never to retreat from this position. With grim determination we should hold to these ideals. If we do so, He will not fail us and peace will become a reality.

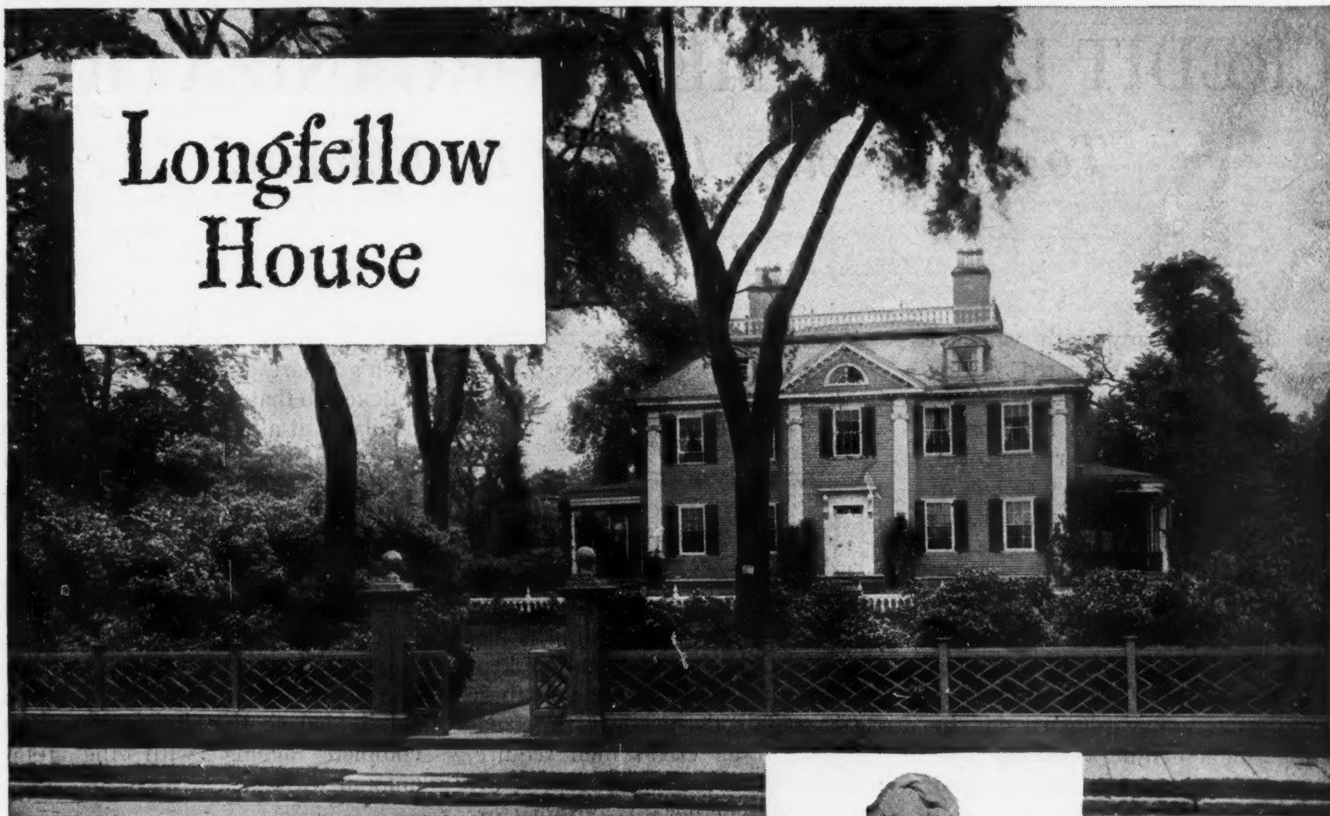
Let us weave more of the spiritual fibres in our everyday business transactions. That will bring the type of business recovery that will be sound and will set a pattern for the world. The leadership of this Nation should be not alone in material advancements, but in spiritual ideals as well. We must, by our practice, demonstrate these ideals.

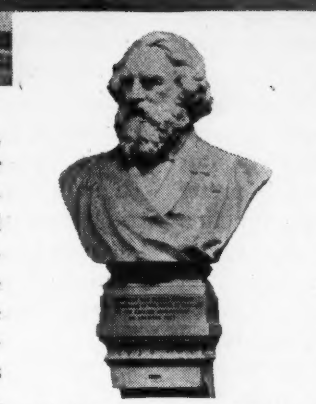
Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

Famous American Homes

Longfellow House





The first American in Poets' Corner in Westminster Abbey.

Longfellow house in Cambridge, Massachusetts is one of America's most beloved homes, for it was there that our favorite poet wrote many of his most delightful poems.

When Henry Wadsworth Longfellow assumed the professorship of modern languages and belles-lettres at Harvard, he was fortunate in securing rooms in the Craigie Mansion. This house in "Tory Row" was built in 1760 by John Vassall, a distinguished financier of the period. At the outbreak of the Revolution, the owner was forced to leave the country because of his sympathies, and the mansion was confiscated. It soon became the favorite rendezvous of the Colonial troops, and Washington used it for his headquarters for a long period. Mrs. Washington joined her husband while he was stationed there, and the house and grounds were the scene of many brilliant Colonial festivities. In 1793, the estate was purchased by Andrew Craigie, whose widow was eventually forced to open her home to paying guests. Longfellow was assigned an apartment which included the room used by Washington as his private chamber. In this room the poet wrote the immortal "The Wreck of the Hesperus." In 1843, Longfellow was married to Frances Elizabeth Appleton and the couple was presented with the house as a wedding present from the bride's father.

Longfellow's study, gathering place of nineteenth century literati.

During the latter years of his life many honors were bestowed on the poet, and his home, which had always been very dear to him, had become the meeting place of many illustrious guests. However, his closest friends were probably the children of Cambridge, for the house was always filled with them. In fact, on his seventy-second birthday they presented him with an armchair made of wood from the chestnut-tree of his "The Village Blacksmith."

Many of the distinguished poet's works are based on the American scene and include such widely read and loved titles as "Hiawatha," "Poems on Slavery," "Tales of a Wayside Inn," "The New England Tragedy," "The Hanging of the Crane," "The Old Clock on the Stairs," "Evangeline," and "The Courtship of Miles Standish."

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CREDIT DEPARTMENT ORGANIZATION

To Be Effective It Must Be Efficient

by JAMES H. JONES
Treasurer
DECATUR & HOPKINS CO.
Boston

The Company with which I have been associated during my business life was organized 100 years ago and I am proud to state that its former president, Mr. Austin H. Decatur was one of the founders of the Credit Men's Association in Boston. As we are wholesalers of hardware and do practically all of our business on a credit basis with our customers, I think it is well to clarify my position in speaking to you about organizing an effective credit department by telling you something about my own Company so you will have a clear picture of my point of view.

At the time the Credit Association was formed a credit department as a distinct phase of our business operation was pretty sketchy. At that time the function of the credit department was pretty clearly defined in our business; but the actual working out of the credit problems was handled as an integral part of the day to day working of one man; in whose busy brain purchasing, finance, and credit were all intermingled. Our old files reveal very little of the type of credit approach, which I will outline below, and the transition from those days when credit was a part of the general scheme of things to one in which it is a distinct department of the business has grown gradually over the years. In our Company, we still like to think that much of the customer relations are as they were in those times—still a matter of personal contact and personal acquaintance. It was not until about 1910 that we had a full-time credit manager.

The background of any credit department is the files, account cards, and credit reports, that are gathered about your customers, and kept on hand to guide you in your credit decision.

The Customer File

First of all, I would like to tell you briefly about our customer file. All accounts who buy from us at any time over a two year period are kept in an active customer file and these cards contain the pertinent information which all credit men require, such as the correct name, type of organization, whether it is a proprietorship, partnership or corporation, the names of the principals, credit rating, limit, space to enter annual sales figures, date the account was opened, salesmen to whose territory it is assigned, trade references, and the names of banks. This material on the card is supplemented by a financial statement, credit report, salesman's report, and is carefully cross-indexed so that the material is readily available at all times. In addition to this customers file, we have built up a file for ageing past-due accounts which is self-perpetuating. These cards are put into an active folder on a monthly basis and if an account is in and out of this file the past paying record is available at a glance. The card is arranged with a line for each month and each month subdivided so that it can show the complete ageing with the total amount owing.

The Human Element

There are other very important tangible needs which are absolutely necessary in a smooth functioning credit department and while I have dwelt briefly on the paper work of record keeping, of no less importance are the human elements that go to

NAME..

ADDRESS...

BUSINESS..............................SALESMAN...............

DATE..........CI.....HH......D&B......RATE.........)LIM...........

BANK..

REFERENCES..

....

....

....

PROSPECT..........NEW ACCOUNT.......................F.S.......

The memorandum card, used for new accounts until the permanent record card, figure 2, is completed. CI stands for Credit Interchange report, HH for Hooper Holmes report and D&B for Dun & Bradstreet report. The FS line is checked if the company's own financial statement form has been given to the customer to be filled out.

make up a smooth functioning credit department. In some concerns this is a large staff, in other offices it may be one stenographer. In our own case I have an assistant, a man who has been with us some time, who have developed into an accurate and enthusiastic co-worker, taking care of all claims for return goods and freight and the handling of orders as they come in by mail from the salesman and over the telephone. These orders have to be checked for credit individually and the help of a faithful assistant is a very real asset in any credit department. In our own setup this is supplemented by the work of my personal secretary and a liaison clerk who works between the credit and the sales department. Let me say right here that the importance of any credit department is tied in very closely to the smooth functioning of that department with other departments in the business, and of course the one department that works closest with the credit department is the sales department. We like to think that in our own setup the 20 representatives we have out in the field are just as much representing the credit department as they are our sales department. I know that it is a controversial issue in many concerns whether or not salesmen should handle any credit work at all. We believe in our own setup, and in fairness to you I should tell you just what that setup is, that it is a natural and effective part of their work.

Our salesmen who have established territories are operating on a contract wherein they receive full credit for all business originating from those accounts assigned to them whether it be by their own personal solicitation, mail orders, telephone orders, or personal calls by the customer at our sales room. Their compensation is based on a percentage of the gross profit arising from their sales, and to establish this gross profit the cost and selling price are entered on every order. While this entails a great deal of work we have found that it makes for absolute confidence on the part of the salesmen that they are getting a fair deal on their compensation—and on the part of the house, we have found over the years that the men work particularly hard as they know that they are being paid a certain fixed percentage of the profit on the lines they sell, consequently they are working on the long-profit lines for us.

On the other hand to insure that losses on these accounts be held to a minimum a part of the contract provides that the salesman shall stand 16⅔ per cent of all losses. In other words, if we have an account go bad which owes us $100, $16.67 is charged against the salesman's account. Furthermore, they stand the expense involved in credit work on their territory such as legal collection expense and also the traveling expense if a credit man comes out from the house to collect bills on their territory. Consequently, we have found them to be most cooperative in maintaining well-paying accounts and to be very helpful in collecting from these accounts. We are thoroughly convinced that a salesman who is close enough to a customer to talk finance with him is not only a better salesman, but is in a much better position to know how much of our products that particular dealer can handle. While I am not trying to develop a brief for salesmen as credit men, I feel that it is only proper in my own case to pause for a moment and pay tribute to our salesmen as an integral part of our credit structure.

It seems to me after careful thought that the intangible of credit work—the human side—the relationship with the customers personally,

ACME 31966-6 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 |

TOTAL	JAN.	FEB.	MAR.	APR.	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
JAN.												
FEB.												
MAR.												
APR.												
MAY												
JUNE												

SALESMAN LIMIT BANK TERMS

NAME

The card used for collection purposes. This card has the advantage of showing the past paying habits of any account who is a chronic offender in occasionally being delinquent in payment.

NAME SALESMAN

ADDRESS CREDIT LIMIT

STREET & NO. ACCT. OPENED

YEAR	RATING	SALES
19		
19		
19		
19		
19		
19		
19		
19		
19		
19		

PROPRIETOR'S NAME

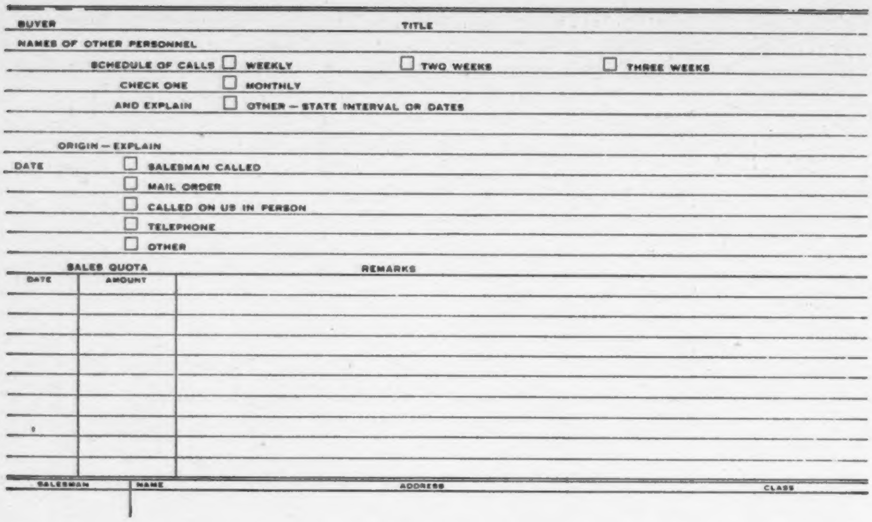
BUSINESS

ACCT. GUARANTEED

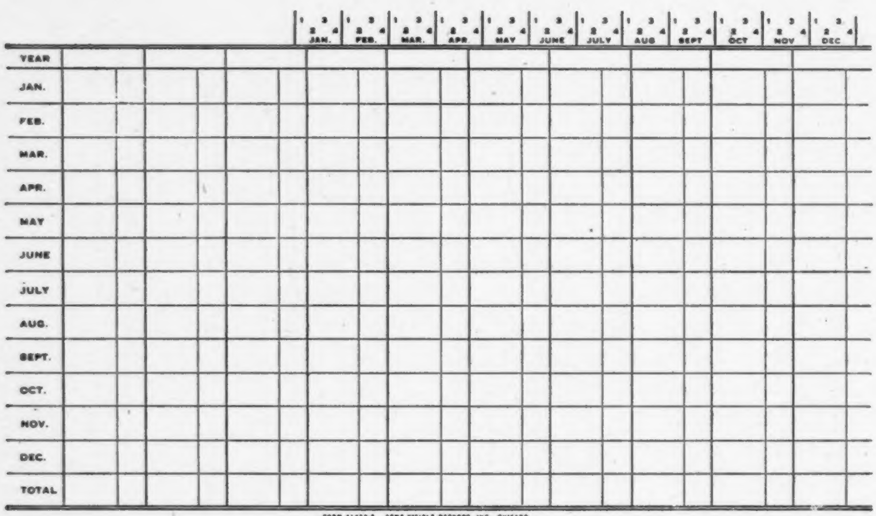
CHATTEL MTG.

REFERENCES	AMT.	D	SLOW DAYS

The permanent file card, providing for 20 years of record keeping for the credit department.



The card developed for the sales department. On the back it provides for 10 years of sales records.



the relationship with your co-workers is of far more importance than any set of financial statements, credit reports, file cards, or even the work of faithful assistants, unless it is carefully organized. With that end in view, I would like to present to you now what I consider to be the function of a credit manager in making not only his work as credit manager effective, but in building up an organization which will smoothly take care of the credit duties. That is: *protecting the business profits* and at the same time building the sales and general prestige of the company for which he works. If a credit manager is to succeed and be looked up to by his business associates, it is absolutely necessary that he inspire in those that work with him the confidence in his ability to handle the financial affairs of his company and at the same time instill in those who work for him a desire on their part to learn credit, talk credit, and to believe in it as a career.

The Association's Worth

I want to outline to you the importance of your Credit Association along these lines as I was inspired by the men who broke me in to credit work back in the early 30's. Many of you will remember that those were years of depression and the importance of credit was from a defensive or bill-collecting angle. Believe me I had plenty of that for a number of years and the inspiration of the man I worked for helped a great deal in bringing our company through those trying times. One of the first things, then, is to become acquainted with other credit people through the medium of the Credit Association and particularly so for assistants in Credit Departments through the Credit Institute. The inspirational talks on credit matters which were presented at the Boston Chapter of the Credit Institute will always live in my memory as a distinct help in developing my career in credit.

It is not only necessary to go to the Credit Institute; it is necessary to take an active part in it; and like so many other organizations, what you get out of it is related directly to the amount of time and effort you put into it. Urge your assistants to follow up the Credit Institute and be sure to set them a good example by taking an active part in your Association activities.

The Interview

Always remember that first impressions are very, very lasting; in a good many companies the first interview of importance to a new customer is that with the credit manager. Just how this interview is handled has a great deal to do with not only the amount of goods that are sold to the customer, but also the cordial relationship which exists between that customer and your company. It is your job, of course, to find out his financial strength, first of all, but beyond that it is necessary to learn all you can about the customer as a potential sales outlet and the way can be paved for the sales department very effectively by the right type of credit interview. This interview should above all be friendly, and an effective credit manager should be one that not only likes people but can instill in them a feeling of confidence from the very outset.

Fortunate indeed is the credit manager who can personally interview every prospect, but that is not always practical. Many of your accounts are set up on your books through correspondence or salesmen's reports. Once the account is on the books, it is necessary for the credit manager to keep in touch with him, either by personal interview or by correspondence, even though that account never has a past due invoice. Top Management in my company has always deemed it advisable for me to spend a large part of my time traveling in the territory. In my own case this means all over New England.

(*Continued on page 30*)

A PROFIT-MINDED CREDIT MANAGER

How to Be Loyal to Both Customer and Company

by **IRVING D. DAWES**
Vice-President and Treasurer
VIRGINIA-CAROLINA CHEMICAL CORPORATION
Richmond

I suppose it would be very difficult to find a credit manager who would admit he is not profit minded. It would be much like searching for a man who would say he is not against sin. It must he taken for granted, therefore, that all of you really *are* profit-minded.

The first thought occurring to me is that a credit manager should be profit-minded in two ways—first, for his company and second, for his customer. Let us now consider the first of these.

How can a credit manager contribute to the profits of his own company? Again there are two principal ways, a positive and a negative. On the positive side he can help increase income; on the negative he can prevent or curtail losses and avoid or reduce expenses. An all-round credit man, of course, will function more or less continually on both sides—sometimes on one more than the other. In flush times he is apt to lean to the positive or income side. In times of depression his greatest problem may be the prevention of losses, although perhaps even then there will be greater need for him on the positive side, because of his firm's need for more income. However, let us turn from the general to the specific.

Cooperation with Salesmen

What can a credit manager do to augment his company's income—to be a positive factor in the organization? The first and most obvious thing is, by cooperation with the sales department, to help build up the company's sales.

It is precisely in this relationship that the great problems of credit management occur and where most of the battles are fought. What ought to be a partnership between the two departments frequently becomes a contest instead. The credit department accuses the sales department of wanting to sell undesirable risks; the sales department counters with the charge that narrow-minded and short-sighted policies are hampering sales and stunting the company's growth.

No good can arise from all this. With two strong-minded and inflexible men, each with only his own department in mind, there can be no peace and certainly not the benefit to the company that would come from mutual understanding and cooperation. If one is able to dominate over the other the result will be a company with a one-sided policy, producing either larger sales and higher credit losses or the reverse.

What really are needed are a credit manager with a good measure of sales viewpoint to temper his credit zeal and a sales manager with respect for sound credit policies. Men whose sole interests are either a phenomenally low percentage of losses or new highs for sales will certainly not have the team work required to give their company the maximum benefit of their talents and services. Since such benefit would appear in the form of profits, a truly profit-minded credit manager would see to it that he is doing everything he can to promote sales, consistent of course with a properly-balanced credit policy. A sales manager with the same mind for profits would also be in there doing his bit.

There are many ways in which a credit manager may add to the company income by helping to develop sales. Helping small customers to grow is one of the best and most satisfactory for here both company and customer benefit and there is a double good deed. In a particular case the mere approval of a limited credit, however satisfactory such action may be to the sales department, may not be all that should be done. The credit manager from his business and financial experience may find that the customer could make better profits if allowed to buy in larger quantities. This might enable him to get quantity discounts, to have a more complete line of goods, or to buy at more opportune times. It would probably mean longer terms of payment and a heavier credit line but with the right type of customer and a growing business, closely watched, this could be the best way to help him grow.

The credit manager, with his broad outlook on general business conditions and his detailed view and knowledge of the industry, in which he and his customers live, can frequently give valuable and useful information out of his wisdom and experience. This could be of great help to customers, particularly the smaller ones who may not have the means of acquiring the knowledge in any other way. A credit man following industry trends and cycles is in a position to advise a customer of coming prosperity or depression, not just for his own line but for others that the customer may carry.

Frequently also he can give the customer sound financial or accounting advice, such as the proper relationships of current assets to current liabilities, of fixed assets to total assets, of inventories to sales, turnover of accounts receivable, expense ratios, etc. In all of this he should give a fair measure of his consideration to what is good for the customer too and not confine himself entirely

to what is desirable from the viewpoint of his company alone.

Another way to help a customer is to give him "leads" or information as to business opportunities, bargain purchases in other lines, etc., which may have come to the credit manager's notice through his many contacts. Perhaps also he can help customers develop valuable relationships with banks by his contacts with both.

There are many more helps that will occur to a credit man who has constantly in mind the growth, well being and interests of the customer along with that of his own department and company.

May Have to Take Risks

In his cooperation with the sales department to produce more sales and profits the credit manager may sometimes have to deviate from his standard credit policies and do things less safe and sound than would be justifiable under ordinary conditions. Perhaps the sales department has lost representation in a certain territory or is trying to break in there. It might be necessary, as a matter of sales strategy, to back or finance a representative whose credit position is not up to the desired standard. It would be taking what military men call a "calculated risk" and so long as the potential results and the chances for success are in a reasonable proportion to the amount at stake, the credit manager need have no qualms about relaxing his usual rules. Nor should he worry too much about these risks and their effect on his loss ratio. Instead let him consider them philosophically as in the nature of sales development expense if they should go wrong, even though his accounting department may not cooperate by letting him charge the losses to any such account. Naturally the number of such cases should no be allowed to be out of proportion to the other business.

Frequently, also, a credit manager may have different standards for different types of business or products. Where there is a close margin of profit large credit losses cannot be borne. On the other hand, long profits on certain items may well justify a much more liberal credit program. The relationship of percentage losses on bad debts to profit ratios should always be kept in mind. Bad debt losses of 1% on a product with a 20% margin of profit may be just as good and just as endurable as ¼ of 1% on a 5% item. It's all a matter of relativity, although not Einstein's kind.

The credit manager may be justified too in having what might lightly be called a "Gambling Fund." This would cover a limited total amount of credit which he is willing to extend to certain risks who cannot meet the usual credit-rating standards, but whom he may consider to be good moral risks or good "hunches" or what not. It is suspected that such funds are common even if they may not be confessed or given such a shameless title. Why not have them set up as such? I think credit managers would feel bet ter to have it that way.

Having discussed the contributions to profits that can be made or the positive or income side, let u consider next the negative or losse and expense side.

Misuse of Loss Ratio

Probably to most credit managers the most important and significant thing is the percentage of loss from bad debts or its converse, the percentage of total sales collected. It is how they keep the score; how they measure their accomplishments; and how they are judged to a great extent by their superiors and associates. Truly this ratio of losses is important—frequently vital. The things to guard against, however, are the misunderstanding or misuse of this important yardstick, and the tendency to use it as the sole measure of accomplishment.

The first real requirement is to know what the ratio of losses "ought" to be. It is no great achievement to have a 100% collection record in a business where, with the proper coordination and balance with sales policies, the maximum should be only 98% and the margin of profit is sufficiently great to bear this 2% loss. Perhaps by incurring that much loss more sales and profit would have resulted.

Each business and each industry will quickly learn what its ratios ought to be for its different products and the variations that should be expected for good and bad times and for special factors and conditions. Knowing what you *ought* to do is the important thing. Byron Nelson's par may be 65 and yours 95. An 88 looks pretty terrible compared with his 65 but against your 95 it makes you feel like buying your wife a new hat.

In calculating his risks and what he can afford for losses the credit man must have in mind always that if an account is wholly lost, it is not just the profit that is gone but the *total* amount, including material, labor and overhead. Thus if the business has a normal net profit of 5% the loss from one bad debt will offset the profits from twenty other sales of equal amounts and profit margins. This is a good thing to tell your sales department when it insists on unwise credits or its salesmen are falling down on the job of following up collections. Such a viewpoint makes bad debt losses hurt and no man is a real credit manager who has lost the ability to feel hurt, no matter how satisfactory his collection ratio.

Profit and Loss

One of the most valuable parts of my early business education was the statement of a very successful business man that all costs, and particularly excess or unnecessary ones, should be looked upon—not in proportion to the company's sales—but to its net profit. One thousand dollars spent unnecessarily may be only 1/10 of 1% of the total sales of 1,000,000 and so appear insignificant and inconsequential, but with a 5% profit margin it is 1000 in 50,000, and that is 2%—twenty times as great. It doesn't take many of these to shrink that 50,000 to where it hurts. The trick is to look at the small end of the funnel instead of the big one.

None of this should be taken as contradictory to or being inconsistent with, what has previously been said about taking special credit risks. My whole point is that credit losses should be only the *unavoidable* ones; or those taken advisedly for special purposes; also that their relationships to net profit should be understood fully, and how many additional sales must be made to overcome them. If losses really hurt and make you cry, you are probably a good credit manager and the hard loser you should be. Good losers are appreciated on the golf course

but make pretty expensive credit men.

In trying to keep down credit losses I know all of you are fully aware of the inter-relations of credit and collection policies. You know very well that fine credit practice can be completely offset and ruined by poor collection work; also that vigorous and intelligent collection follow-up has saved many a poor credit risk or mistake.

For my part, if I had both to do, I would sooner devote my time and energies, say, one-third to credit work and two-thirds to collections than vice-versa. I feel that both more money would be collected and sales helped that way. Insistence, persistence and being on the job when your customer is in the money —also making him understand that you mean to get your share—are the keys to successful collection work.

Two Kinds of Expense

Let us turn now from the positive to the negative side of help to the company's profits. A profit-minded credit manager must always be conscious of expenses and how easily they can eat into profits. He should be able also to make a fine discrimination between the productive and the non-productive kinds. The former includes any type of expense which contributes to the operating efficiency of his department. If a special trip or long-distance telephone call will help in the collection of a doubtful account, or if the employment of an additional clerk or stenographer will enable closer follow-up of collections, hence reduced losses, then you have a productive expense.

If expensive legal help is used to collect an account where the company's own organization could and should have done it, you have expense of the non-productive sort. Other examples are the use of long-distance calls where a letter would have sufficed, the unnecessary length of long-distance telephone conversations, an over-supply of office personnel, etc. I do not need to enlarge further. A credit manager truly profit-minded will be able quite readily to distinguish between expenses of the productive and non-productive kinds and know what to do about them.

Another source of additional profits perhaps frequently overlooked is the later collection, either in whole or in part, of accounts that have been charged off. Our own company concentrates very heavily on such items and each year recovers an almost unbelievable number of accounts no longer on the books and which, by inattention, could quite readily have been overlooked.

Our many sales offices are never allowed to forget charged-off accounts. When an account is written off the regular books, it is set up in an informal ledger kept for such items at the Head Office. These accounts are gone over with the sales offices on each visit by the credit managers and not until some final determination has been made, such as settlement through bankruptcy, death or other cause, is the item finally removed from the charged-off ledger.

The company's traveling auditors likewise make it part of their routine to take a trial balance of this ledger to each sales office. There they verify whether the items carried in the charged-off file agree with the trial balance, see if any final decisions have been made since the last trip and discuss the remaining items with the Sales Manager.

It has been found that this thorough and constant follow-up pays in two ways; first, by the recovery of items that otherwise would have been forgotten, and second, the salvage of accounts that may have been written off too hastily. The latter cannot happen frequently as the local representatives do not have the authority to write off accounts on their own initiative. They can only make recommendations which must be on a special form. Thereon they must describe the account, show its present status, what steps they have taken to effect collection and their reasons for recommending the charge-off. This must be signed by the Sales Office Manager and then have the formal approval of the Head Office Credit Manager and the Treasurer of the Company before the account can be removed from the active ledger and transferred to the charged-off one. Many such items salvaged are quite a few years old. The eternal vigilance maintained frequently reveals changed circumstances of the debtor enabling him now to pay in whole or in part. No profit-minded credit manager can afford to overlook his charged-off accounts.

The Customer's Profits

Let us now consider how a credit manager should be profit-minded for his customers. I have already described how he can frequently give them much useful assistance and advice. The present thought is to get away from the balance sheet and its net worth as the only measure of a customer's credit standing. His record of earnings, their trend and continuity are also of prime importance. Customers with a consistent record of earnings, even though on a relatively low scale are, by and large, better risks than those with abnormal and unusual profits, or with a feast and famine record.

Like every generality, however, this may not necessarily be so. I have heard bankers describe as excellent risks certain types of business with an unsatisfactory earnings record over the years. They are of the sort doing a seasonal business, converting their inventories into cash at the end of the season. The soundness of the credit is dependent principally, not on what the company may earn for the year, but rather on the certainty of the end-of-the-season collections. If the creditor is on the job at that time, the account or loan can be liquidated readily without there having been any particular credit risk involved. Such businesses, however, are the exception to the general rule. It will pay you well to interest yourself in your customers' profits and what they do with them.

Being profit-minded should not be limited to the credit manager alone, but rather be the duty of the whole company organization. What right otherwise do they have to their jobs? There are, in fact, other executives, such as the Production Manager, let us say, for whom it is far more important. If only the whole personnel will acquire the profit-minded viewpoint, it will be so much easier for the credit manager to do so and be more so.

Every officer and department head should be charged with, and feel the responsibility of, protecting the company's profits and profit margins by keeping within or bettering the bud-

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ARE DISCOUNTS OBSOLETE?

Conditions Have Changed; Discounts Have Not!

by **R. LYNN GALLOWAY**
General Credit Manager
EASTMAN-KODAK COMPANY
Rochester

The date and manner in which cash discount was first introduced is not a matter of record as far as I know. Since it is a premium paid for payment within a shorter period of time than that provided by the customary credit period and since it is an expensive premium there must have been justifiable incentives for the adoption of this practice and its present wide acceptance.

Among the incentives which favored the practice of allowing cash discount many years ago were the higher rates of interest and the relative scarcity of working capital. The transmission of money was also slow and business was carried on by buyer and seller with relatively great distances between them. The credit risks assumed were greater, less carefully calculated and the margins of profit were ample to underwrite this premium.

Cash Discounts Cost Money

Today we still have cash discount and it is still expensive as these illustrations indicate.

2-10-E.O.M.-net 30 is an effective interest rate of 36%

1-10-E.O.M.-net 30 is an effective interest rate of 18%

Other cash discount terms work out to varying rates of interest, all of them high.

The practice of allowing cash discount has not changed much over the years but is that true of the conditions which may originally have justified this premium? Interest rates are substantially lower, money is no longer scarce, the transmission of money is many times faster than it used to be and telegraph, telephone and airmail have shortened the distance between buyer and seller. We have learned much about screening credit risks and profit margins are continuing to decline. Why, then, does the practice of allowing cash discount continue?

Advantages of Discounts

There are several advantages set forth in favor of continuing cash discount. Among these are the following:

1. Less working capital is required.
2. Credit risks are reduced.
3. Cash Discounts not taken provide an offset against bad debt losses.
4. Competitive position is improved or maintained.

It is true that where cash discounts are offered the major portion of receivables will be paid within the discount period and therefore the average amount invested in receivables is reduced. Conversely, the elimination of cash discount will require an increased investment in accounts receivable. The question which you must answer for your own business is, "Can we utilize money any more profitably in some other phase of our business operation than by investing it in Accounts Receivable?"

If cash discount is eliminated the size of the average account will increase and when a credit loss is suffered it is likely to be a larger loss because more days' sales will be included in it. To evaluate this factor you must answer the question, "Will the probable increased credit losses suffered more than offset the savings effected by eliminating cash discount?"

There are always some customers who do not take advantage of cash discount terms and they pay, therefore, 2% more than other customers for similar merchandise. The payment of this premium by these customers, it is said, provides the offset to bad debt losses suffered. Perhaps the question should be raised as to whether or not it is fair to penalize these customers, who may be good distributors, and put them at a disadvantage by charging them 2% more for the same merchandise.

Effect on Competitors

The improvement or maintenance of a competitive position by the offering of a cash discount may be open to question. Perhaps your competitor would like to eliminate it too and is waiting for you to make a change so he can fall in line. He is subject to the same business conditions and must face similar problems and he must also find his answers. It is surprising how often he will get the same answer that you do.

In any event, here is a problem which you may be asked to solve and here is an oportunity to play an effective part in management. Are cash discounts out of date in your business?

Editor's Note: This question as to the continuance of the cash discount will receive quite marked attention in the next few months. Mr. Galloway has presented some arguments for and against such a change. May we not have opinions of other financial executives on this moot problem?

CREDIT MANAGERS I HAVE MET

"Oh Wad Some Power The Giftie Gie Us..."

by **LEO SORENSON**

Secretary-Treasurer
NORTHERN LABORATORIES
Manitowoc

"So you and a couple of chemists are going to open a new chemical converting plant?"

With this introduction, Mr. Credit Manager #1 turned to me to consider my request for a line of credit for a new company. What followed and the experiences with other credit managers gave me a few new angles on credit department operation.

After some twenty years of credit granting as a credit manager, I could now look in the mirror so to speak and see myself and other credit men as the customers have no doubt seen me.

The credit man I was seeing was in charge of a large wholesale drug house from whom we wanted small lots of certain chemicals perhaps $50.00 worth per month.

"Now we don't call this a credit department any more," my interviewer went on to say. "We call it the Service Department, and let me tell you how we serve the dealer. Here are mailing pieces that go out regularly telling the druggist how to keep proper records. This fits in with promotional material on proper display. For instance—"

He paused for breath and I quickly got in a word, "We are not opening a drug store. Here is what we want."

"Just a minute," interrupted my interviewer. "Now here is an article I wrote which was published in the last issue of Credit and Financial Management. I sent a copy to each of our salesmen. Just take a few minutes to look it over and I'll get some of my records to show you how we follow up our accounts to make better merchandisers out of slow payers."

11:15

I looked at the clock above his desk. 11:15. Could I get over to X Co. for my 11:30 appointment with the buyer? Maybe I could speed him up. "This is very interesting and I am sure you are a leader in your field. Now, as I was saying, here is our picture."

"Just a moment. You will be interested to know that customers frequently stop at my desk and give me their orders. You see, I spent my early training in the order department so I know the stock and can talk the customer's language. Etc., etc."

I looked at the clock again. 11:25. Well maybe if I got away soon I wouldn't be too late. Maybe I could send him for more records and then while he was gone quietly slip out of the door. "What information would you like in order to extend your regular terms to us?"

"Here is the kind of list I have on my desk each month. It enables me to approve orders quickly and keep a careful record of the volume and changes in each customer's buying. I recall a man who opened a store at 10th and the Avenue two years ago. Now he had two strikes against him right from the start and I'll tell you why. Etc., etc."

11:45

11:45. Maybe I could meet him after lunch. I wondered if Mr. Credit Manager took his lunch promptly at 12. I spoke weakly, "Is there any information you want to enable you to decide on an account with us?"

"No. I can see that you know your business and I presume the agencies have a report. We will give you a $200.00 per month line of credit."

I escaped at this point but we are still getting mailings regularly on drug store arrangement and record-keeping although we have not had occasion to buy from the concern in over six months. Incidentally, no one from this supply house has ever called on us or asked us why we stopped buying.

Second Specimen

Credit Manager #2 was employed by a large Eastern chemical manufacturing concern. We started buying materials in a small way and the business grew. Then in August, 1945, government regulations were suddenly changed and a vacuum of consumer demand opened. Customers began clamoring for merchandise.

Our purchases zoomed to ten times the previous high. We were out of raw materials and frantic telegrams were ignored. A long distance phone call to the order department was eventually shunted to the credit manager.

"Yes. I have your order on my desk. Your account has been increasing so rapidly that I must revise my files to grant you a larger line of credit. Yes, it is true you have discounted all your bills and there are no bills over the discount date now."

I interrupted, "Why in H—— didn't you phone us if you wanted more money or more information?"

"Oh we prefer to get information from impartial outside sources who give us an exchange of ledger experience. Naturally it takes a week or two to compile such information. As to money, maybe the report

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DANGER SIGNS FOR BUSINESS

When Will the Expected Recession Begin?

by **DR. ALFRED C. NEAL**

Director of Research

FEDERAL RESERVE BANK
of Boston

A good place to start the discussion on the current business situation is with prices. We have just witnessed in July a spectacular price increase—10 per cent in the wholesale price index and 5 per cent in the consumer price or cost of living index. While a part of these increases can be charged up to the elimination of subsidies, for the most part they were real increases and they serve to focus attention on what has happened to prices since the start of the war in Europe.

By the end of July wholesale prices had increased by about 65 per cent from the prewar, August 1939, level. The consumer price index had increased by about 43 per cent in the same period. Average hourly earnings in manufacturing, which are a rough measure of the price of labor, had increased by about 72 per cent. It is probably still true that further increases are in prospect in each of these measures although, for reasons which I hope will be clear later, many people are less certain about a future increase in prices now than they were at the end of August.

War and Inflation

Before we proceed further let us examine the causes of price inflation which has accompanied each major war in our history. A glance at a price chart covering the period from the Revolutionary War to date indicates a steep rise and a peak followed by a sharp decline associated with each major war we have fought. The explanation for price inflation in wartime is essentially simple. The production of goods and services of any kind can be accomplished only by paying certain costs to those who contribute to the production process. Costs are the source of income which buys the goods which have been produced. In peacetime the goods which people produce are by and large the goods which they wish to buy either as consumers or investors. In wartime, however, we produce a large proportion of goods for which people as individual consumers have no demand.

In saying this I do not mean to impugn anyone's patriotism. People collectively did want to fight the war, but individually when it came to spending their incomes they did not look upon tax bills and Government bonds as being so desirable an outlet for their incomes as automobiles, food, clothing, entertainment and all the ordinary goods to which they were accustomed. What happened during the war, therefore, was that the productive process, which was enormously expanded, paid out in the form of costs and profits a volume of income which was greatly in excess of the value of civilian goods which people could obtain. The difference between the total of personal incomes and the value of civilian goods produced was made up roughly by the tax bills and bonds issued by the Government. Since the Government could not be denied the means to pay for war goods, and since the public choose neither to pay taxes nor to buy bonds in sufficient amount to pay for all the war goods produced, the Government made up the deficiency—as Governments have been doing for centuries—by obtaining new money. This new money was provided by our commercial banking system and the Federal Reserve System which together absorbed over $95 billion of Government securities from the middle of 1940 to the end of 1945. This amount was over 40 per cent of the increase in Government interest bearing securities outstanding during that period.

More Money—No More Goods

It must be emphasized that the increase in demand deposits and in currency in circulation which paid for the Government securities sold to the banking system was added to an enormously increased income of the population arising from fuller employment, steadier work, overtime earnings, and wage increases. The result of rising incomes and the injection of new money by the sale of Government securities to the banking system was a constantly widening gap between the amount of income people wanted to spend and the supply of civilian goods becoming available for them to buy.

The economics of this situation can finally be reduced to a matter of simple arithmetic. We were dividing an ever-increasing quantity of money income by a physical quantity of goods which could not be increased in proportion. The number of dollars which could be devoted to each unit of goods produced therefore increased. In an effort to prevent the number of dollars in the quotient from rising—that is to say, in an effort to prevent prices from rising—price controls were imposed, but price controls obviously did not remove the cause of the upward pressure on prices. It is important to understand this process, because it has come to an end, at least for the present, and this fact has a bearing on current business.

I realize that this way of putting the matter is contrary to the usual line of thought which traces price increases to increases in cost of pro-

duction. Businessmen observed the results of the inflation in rising costs. During the war, however, it was the pull exercised by Government and personal demands which induced the rise in costs which occurred and which is still going on. Excessive demand led to the stretching out to higher cost sources of supply and higher cost methods of production. It led to the use of inefficient labor, of overtime operations, and ultimately to labor and material shortages. High demand for labor made possible the success of collective bargaining in raising wages, and high demand for material supported higher prices. The line of causation of higher costs and prices must run therefore principally from the demand side, and it is from this demand that we can trace the increases in costs which have been so substantial and which we shall have with us, in part at least, for a long time to come.

I might mention in passing that all segments of the economy did not participate in this improvement in their bargaining position which has resulted in record gains particularly for labor and for agriculture. Despite the enormous demand for borrowed money, one price which did not participate in the general upward movement was the price paid for borrowed funds.

War Influence Still Strong

Business today is operating under the momentum of forces set in motion by the war. The difficulties of reconversion were greatly overemphasized and the loss of income predicted because of the cancellation of war contracts was exaggerated. (You may remember that colossal error contained in the forecast last fall of 6-8 million unemployed by spring.) The business outlook, at least a few weeks ago, as reflected in most business publications and on the financial pages appears to be dominated by favorable factors.

Income payments to individuals in July were, according to the Department of Commerce, the highest in history although earlier in the year they had been running below last year. *Demand* for most goods still appears to exceed supply, and *prices* in consequence remain high and, with some exceptions, there is a continuation of the rise. There is a *great backlog of demand* accumulated during the war years for durable goods such as housing, automobiles, and electrical appliances, and many people find in the enormous backlog of liquid assets—that is, the $145 billion in personal holdings of cash, bank deposits and war bonds—ample purchasing power for the satisfaction of this backlog of demand. We are in a stage of *full employment* which, counting the number in the armed services, provides better than 60 million jobs, a number which less than a year ago was considered by many to be a visionary goal. *Business expenditures for new plant and equipment* are running at a level above prewar and have absorbed much of the slack which the cancellation of war contracts was expected to create. We are reminded constantly also that the rest of the world is starved for goods and that the actual and potential *demand for exports* is enormous. Further comfort with respect to the export demand for the immediate future is provided by contemplated or actual advances of foreign loans to the amount of more than $13.5 billion.

I will not dwell on the list of favorable factors in the business situation because they are already well known. The question in which I am more interested and the one in which you are more interested is—How long can it go on? Are there indications that the course of the boom which we are now enjoying may be interrupted?

Enormous Government Costs

It is tempting in this connection to attempt to find in the records of the past a parallel for the present situation and on the basis of what happened then to predict what is likely to happen in the future. Unfortunately, the matter cannot be dealt with as simply as that. Let me recall a few conditions which are present today which have no parallel in the past, but which are extremely important for the course of business. Federal Government activities are more important now than they have ever been before in history; so much more important that the existence of these activities alone invalidates almost any comparison of conditions today with those of the prewar years. The Federal Government this year is spending over $40 billion, or as much as the total national income in 1933. Its debt is two-thirds of the total debt of the country; it was only one-fifth in 1939. The Government until recently had under regulation major parts of the price structure and the wage structure and is exercising a large measure of control over inventories and over the distribution and use of critical commodities.

Our monetary system, although still related to gold, has been changed so completely that comparison with any period when we were on anything like a full gold standard would be misleading indeed. The credit tightening which would occur in a period like the present were we on a full gold standard is not an important factor today. The Government has been exercising controls unprecedented in prewar days over consumer credit and over loans for the purchase of securities. Exports are still subject to considerable regulation, and even foreign lending, which we have had before, is being conducted on an unprecedented scale. These differences between the situation today and that, for example, following the First World War are sufficient to invalidate most comparisons. We can, however, learn a good deal from the past so long as we do not attempt a purely mechanical comparison.

It is time now to get down to answering the $64 question—"What are the indications for an interruption of the high level of business activity of the recent past and the present?"

The Market Slump

Attention is drawn immediately to the recent crash in the stock market. It was fashionable some years ago to consider the stock market a barometer of general business conditions to come. According to those who consider it such a barometer the recent decline would signalize a decline in business activity generally. If the stock market had declined because credit was getting tight and rates on borrowed money were increasing, and if the crash had resulted in the calling by bankers and brokers on a large scale for more margin as in 1929, the stock market

crash would indeed lead one to expect a decline in general business activity. Thanks to the regulation of bank loans for the purpose of carrying securities, however, and to the adequacy of the supply of credit provided by the banks and the Federal Reserve System, the recent crash was accompanied by neither of these developments. Ultimately, of course, a declining market may restrict the financing of capital expansion, but I think that we shall have to look to less spectacular indications for signs of trouble immediately ahead.

Prices and Income

The first of these danger signals is the tendency for the *increase in prices to outrun the increase in incomes.* As I mentioned earlier, for the first half of the year income payments were running somewhat less than last year, and for the last half it is estimated that they may run somewhat above. Prices have, however, been increasing rapidly from last year's level. If income payments do not increase very much, then it will become increasingly difficult to increase the volume of sales because a further rise in either prices or production or both will not be supported by a corresponding increase in income. It is possible that the physical volume of retail trade is already decreasing. It appears at present that the dollar volume of sales is being maintained increasingly by drawing down past savings, by reducing the current rate of savings out of income, and by expanding consumer credit. (We had, for instance, in the first six months of this year an increase of about $1 billion in the volume of consumer credit outstanding.)

You may be surprised that any difficulty can be caused by a deficiency on the income side in view of the large wage increases which have been granted during the first half of the year. It should be remembered that a considerable proportion of the population which is living on retirement income or investment income or on salaries has received no increase in income or a relatively small increase. In addition, Government payments have been tapering off from the high wartime levels, and a further reduction in income from this source is probable. Moreover, the creation of new money by the sale of Government securities to the banks has been stopped; the Government debt is actually being reduced.

Inventory Accumulation

The second danger in the current situation is that of *inventory accumulation.* Business inventories generally have been rising; the increase in July of $1.3 billion brought the total to $30 billion, a record figure. According to the published data, the general level does not appear to be excessive. Ratio of inventory to sales was only equal to the peacetime ratio in manufacturing, and below that level in distributing trades. There is a real question, however, whether inventory statistics as published can be taken at face value. There has probably been a shift in the location of inventories of an unknown magnitude which is not reflected in the recorded figures. Let me give you two examples of this type of shift.

Residential construction contractors can no longer rely as they have in the past upon building supply dealers to carry their inventory for them. Many of them have undertaken probably for the first time to maintain inventories of their own to assure a steady flow of materials to their jobs. Another example is the consumer who relies ordinarily upon his retail store to maintain a stock from which he can buy at his pleasure. Everyday conversation demonstrates that consumers have accumulated inventories of items in the short supply for the reason that they can no longer rely upon retail stores to supply them on a moment's notice. These conditions are doubtless duplicated in many other fields and are probably not reflected in the sample of reports used by Government agencies to keep track of inventory accumulations.

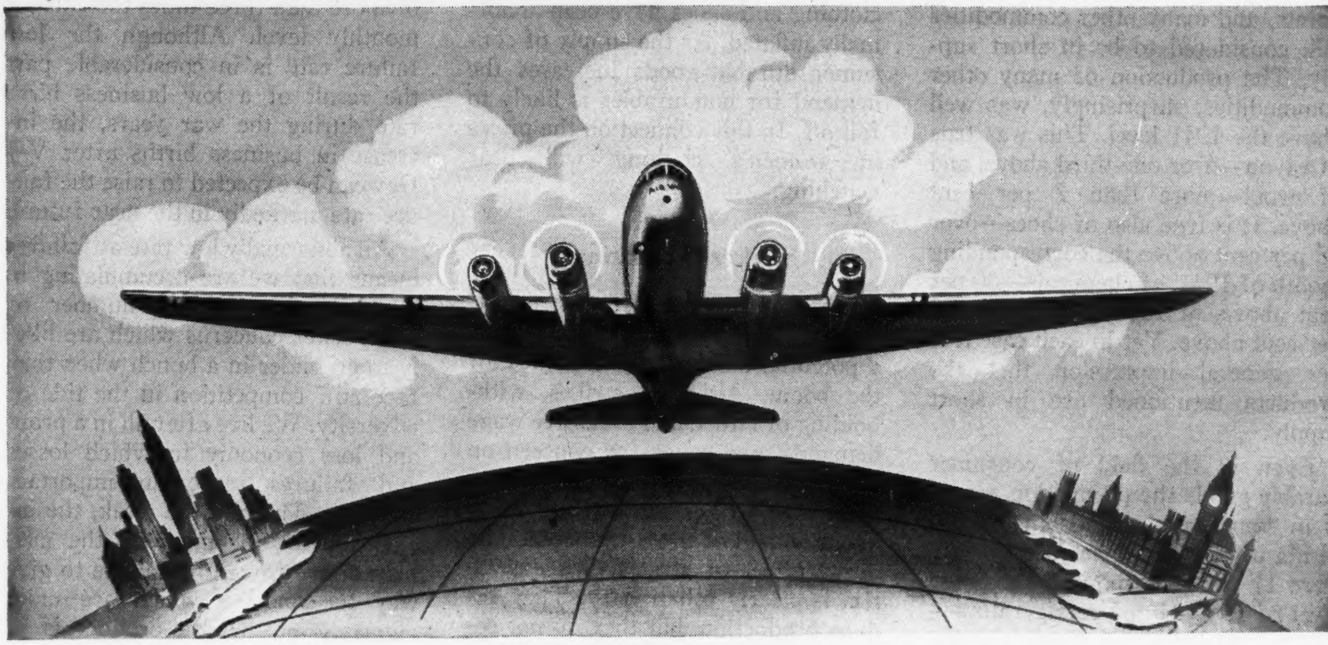
Involuntary Accumulation

In the months just ahead we are likely to see more involuntary accumulation of inventories by manufacturers for at least two reasons. One reason is the accumulation of partially manufactured goods owing to the development of bottlenecks in the supply of particular parts. The wooden bumpers on many new automobiles are evidence of the uneven flow of parts to the automobile industry, and reports are becoming more numerous that vital parts, for example motors for refrigerators, are lacking and are causing partially completed goods to pile up in manufacturers' warehouses. Another reason for involuntary accumulation is the freight car shortage which is upon us and which, according to reports, will become more acute in the immediate future.

Coupled with inventory accumulation is a widespread duplication of orders which is exemplified in the current department store data, showing outstanding orders in the country as a whole three times higher relative to sales than in 1941. Any widespread release of goods following the elimination of the car shortage or the breaking of production bottlenecks is likely to be embarrassing to buyers who have duplicated firm orders. Or if prices should weaken with the release of goods following the breaking of bottlenecks, a widespread cancellation of orders might result with embarrassment to manufacturers who have voluntarily or involuntarily built up their inventories.

Production Volume

A third element of danger is the possibility that we have been misled by the evidence of shortages into an *underestimate of the volume of production.* It must be remembered that many of the shortage situations which we see today are shortages only relative to demand. They must not be interpreted in all or even most cases to be a shortage of production relative to any reasonable past level of performance. Automobile tires are still short, according to most observations, but tire production in July exceeded production in July 1941 by 11 per cent. Let me compare production in the last month for which we have data, June or July, with production in the same month of 1941, which was the year of highest production that we have ever had in peacetime. Industrial production generally, as measured by the Federal Reserve Board index, was in July of this year 6 per cent over the July 1941 level. Iron and steel production was only slightly under the 1941 level, as was the production of lumber, furniture, cement, wheat flour, paper and pulp,



paints, and many other commodities still considered to be in short supply. The production of many other commodities, surprisingly, was well above the 1941 level. This was true of rayon—over one-third above, and of wool—more than 7 per cent above. It is true also of shoes—over 15 per cent above the corresponding month of 1941, of chemicals—30 per cent above, of rubber products—29 per cent above. Yet in each case it is our general impression that the products mentioned are in short supply.

Even in the field of consumer durable goods the production record is in some cases astonishing. Shipments of washing machines in July were 11 per cent above the average level of 1940-41; of refrigerators—28 per cent below, of vacuum cleaners—26 per cent above, of radios—21 per cent above, or hosiery (June) —3½ per cent above, of trucks—only 7 per cent below.

Backlog May Go Soon

Given a continuance of freedom from strikes, the backlog of demand for many commodities now in short supply may disappear rapidly. We have seen examples of this in a number of cases already. With the cutting down of relief purchases of grains and the bumper crop which we will have this year, it is already apparent that the supply of grains will be adequate this season. As a matter of fact, owing to the liquidation of poultry and livestock, feed salesmen are already putting on extra effort. Reflecting the situation, grain prices have been decontrolled and futures prices are generally below former ceiling levels. The case of small radios has already been widely commented upon in the press. Price reductions in many cities have been made to move what appears to be an overproduction of the less well-known brands. Further evidence is to be found in the supply of natural rubber in which price weakness is already developing.

A point which is likely to be overlooked in this connection is that consumer goods of all types are in competition for the consumers' dollar, and that owing to the shortage of housing and other consumer durable goods the demands for foods and for other nondurable goods such as clothing and shoes have been abnormally inflated. As the supply of consumer durable goods increases the demand for nondurables is likely to fall off. In this connection the prices of women's clothing will bear watching.

Strikes Inflationary

The high degree of unrest on the part of labor is often mentioned as a potential danger to continuance of the boom. Although strikes, withholding of effort, and excessive wage demands give cause for concern on other grounds, it is difficult to determine how strikes can directly bring about an end of the price boom. The direct effect of strikes, it seems to me, is clearly inflationary. They reduce production, but they do not reduce incomes by an equivalent amount because companies on strike still must pay the salaries or wages of overhead employees and officers, and pay other expenses which go on regardless of whether a plant is operating or not.

Strikes cause workers on strike to draw down their savings and they cause the municipalities involved to incur relief expenditures, usually on a deficit financing basis. It is quite possible to have a large amount of unemployment resulting from strikes or similar causes at the same time that inflation is raging. We need only to look to the example of France or Belgium or Germany since V-J Day for verification of that condition. Strikes, then, will probably not stop the inflationary movement of prices, and their effect upon business will be exercised in the form of lower production and a reduction of profits. The latter effect may change the outlook for profits from expansion, and so later reduce expenditures for that purpose, and it is likely also to affect the stock market.

Bankruptcies

The fourth element of potential danger is, oddly enough, the low level of business failures. Failures have averaged only 82 a month during the first eight months of this year, and the liabilities involved have been only about $3.7 million per month. This compares with a monthly average number of 987 in 1941, a level more than 10 times higher, involving liabilities of $11.3 million, or more than three times the current monthly level. Although the low failure rate is in considerable part the result of a low business birth rate during the war years, the increase in business births after V-J Day can be expected to raise the failure rate markedly in the near future.

An abnormally low rate of failures means that we are accumulating in the economy a large number of weak-sister concerns which are likely to go under in a bunch when they face stiff competition in the tide of adversity. We live after all in a profit and loss economy in which losses and failures serve an important function. The old, the weak, the inefficient, the incompetent, the misplaced, are forced by failure to give way to concerns which are more vigorous and whose product is in greater demand. Failures redistribute the labor force and provide a means of adjustment to the constantly changing demands upon our productive system. The abnormally low level of failures, therefore, probably represents an accumulation of misplaced resources which will one day have to be corrected, and because the correction is overdue it may be embarrassingly large when it does occur.

Business Psychology

We come finally to the fifth element of danger, one about which conjectures are most difficult. It is the danger inherent in the state of psychology of business and the public. The average person finds a good deal of justification for his belief that what goes up eventually comes down. As I have mentioned before, we have never yet had a period of rapidly rising prices during a war which did not culminate in a rapid decline. The experience of the last war is still fresh in most minds, and it has been inculcated by their elders and by education in the minds of those who were too young to remember that period. If there is a general expectation that prices will fall, then even a minor event which is interpreted to mean that that fall has begun is likely to set off the avalanche.

Although that sounds like an unsatisfactory explanation, I believe that it is a major factor in stock market crashes, including the one we

have just witnessed. If the stock market decline in turn is interpreted to be the beginning of a general price decline then that is likely to occur also. Certainly a widely held expectation of cheaper prices will lead to a withholding of expenditures on the part of industry for new plant and equipment; it will lead to a slackening off in construction activity, and it can put a serious crimp in retail sales. There is probably more danger at present in a widely held expectation of falling prices than in any of the other factors which I have mentioned. When we see how the weakening prices of stocks, of grains, of rubber, of old houses and possibly of apparel, except men's clothing, is interpreted we shall have a much better idea of whether we are faced with a general price reduction over the months ahead.

Predictions Dangerous

I should like to be able to tell you with some confidence whether these danger signals which I have been discussing and other signals of a like kind indicate clearly whether a recession is ahead. Certainly if we took a mechanical view based upon past experience we might predict with considerable confidence that the level of prices and to a lesser extent the level of business activity was due for a setback. However, for the reasons which I have given earlier I believe that it is dangerous to apply a mechanical correlation with the past for this purpose. I shall leave it to you to judge on the basis of the evidence I have given and on the basis of such other evidence as you have whether a general price recession is about to get under way.

It may be of some interest to you if I answer the question—"How low will prices go if we do have a price recession?" Here again the past provides us with limited guidance. In the course of the last 15 years the strength of labor organizations has been enormously increased. It is unlikely that we will have a serious deflation of wages so long as labor retains anything like its present power. Since for the economy as a whole labor cost and labor income account for about two-thirds of all costs or incomes it seems clear that price declines will be greatly limited by the rigidity of wage rates. During the postwar recession of the early 1920's labor's strength was but a fraction of its strength today, and it was possible to bring about price reductions by wage cutting. Farm prices, too, were free to fall in 1920; now they are guaranteed by the Government not to fall below certain levels.

We may make some estimate of the extent of the price decline by assuming that we will lose the same percentage of the price increase from August 1939 to July 1946 that we lost of the World War I increase after the recession of 1920-21 was over. For all commodities in the wholesale price index the estimate calls for a price level about 26 per cent below the level of July this year. Since farm products make up an important part of the index and since they are subject to support by the Government at 90 per cent of parity for two years after the war, farm prices will not be permitted to decline in the same manner as they did after the First World War. Likewise, wages are likely to be considerably more inflexible than they were in 1920-21. A reasonable guess of the magnitude of the decline in the wholesale price level, therefore, would be considerably short of 26 per cent—probably somewhere between 15 and 20 per cent would be a good guess, and it is nothing more than that.

The Credit Man's Angle

Now, I want to consider some of the implications of these developments for accountants and credit men. Certainly one implication of what I have said is that if you have occasion to use general statistics on inventories or sales or costs you had better be careful that you do not interpret these figures to mean what they did in the prewar period.

Another implication is one of great concern to all of us. The maintenance of our capital is necessary both to the continued soundness of business and to the continuance and improvement of our standard of living. It has been customary to make financial provision for replacement of capital by charging depreciation. It is a rather general practice to depreciate plant and equipment on the basis of original cost. If the price level generally is going to decline by say 20 per cent, it will still remain about one-third above the prewar level. It is very likely that the cost of reproducing plant will stabilize at much more than one-third above the prewar level. It seems clear that complete depreciation on the basis of original cost will fall far short of providing an amount sufficient to replace the plant and equipment which is wearing out or which is losing its state of usefulness. We need a very careful consideration of the adequacy of depreciation allowances in the light of these circumstances.

Interest Rates

Another point along the same line is of interest to management of estates regardless of the form they may take. I have mentioned earlier that one price which has not shared in the general upward price movement is the price of capital—interest. The rise of consumer prices at the rate of about 6 per cent a year on the average since 1939 has exceeded the annual rate of return on most investments; the real income of investment has been negative. Anyone who has only maintained his capital fund during the past 7 years is a good deal poorer today than he was at the start of the war. To put the matter another way, it will take a considerably larger capital fund to provide the same real income that a capital fund of a given size promised at the beginning of the war.

Finally, there is the matter of inventory appreciation and depreciation. I recall an illustration used by Professor Hayek in connection with the First World War which involved an Austrian importer of condensed milk from Switzerland. They had price control in those days, too, and the price control authorities ruled that so long as the importer made his usual margin over cost, the fixed price was fair. Hayek demonstrated, however, that realization of the customary margin over cost would result in a loss of capital to the Austrian importer because the increase in price from one purchase to the next was greater than the margin over cost realized. The importer after each turnover was able to buy with the whole proceeds of his sales a smaller quantity of condensed milk. He made a "profit" on each transaction, but he lost a part of his

capital at the same time. To some extent, this same thing has been going on in this country in the last few years, and we should be careful in analyzing reports on operations to take account of the spurious showing of profitability inherent in financial statements because of factors such as the one I have mentioned.

I am sure that these observations have already occurred to you. I hope that they serve to reinforce your convictions and encourage you to take account of them in formal fashion.

Let me return in conclusion to the main theme of my remarks. There are sufficient indications that a general recession in prices *can* occur in the months ahead. I shall leave it to your judgment as to whether it *will* occur. To be forewarned is to be forearmed; that is perhaps the major implication of what I have had to say.

Survey Finds Banks Less Inclined To Be Kind Old Uncles

Commercial banks are beginning to stiffen their attitude toward applicants for business loans, according to the *Wall Street Journal.* They are also gradually increasing their interest rates.

For instance, long-term loans of 10 years were not abnormal as recently as the last few months. Now, however, five years are usually the limit. This new conservatism, it seems, arises from a general uncertainty about the future of business.

An example of the kind of incident that is tending to make banks pull in their horns is the tubing manufacturer who applied some time ago for credit. The bank turned him down on the grounds that he was over-expanding, despite the worth of his product. The applicant obtained the credit from another bank, and later failed with net liabilities of about $500,000.

THE CREDIT EXECUTIVE'S LIBRARY

'Tis Christmas, so we have given Dr. Smith a month off. This month we will discuss two books which have nothing whatever to do with credit but which will be found, in their ways, most rewarding reading.

First let us consider *Surreptitious Entry,* by Willis George. Published by D. Appleton-Century, New York, at the price of $2.50, this book is splendid reading for the latter part of Christmas Day when the frame is surfeited and the brain unwilling to entertain the study of financial statements.

It is one of those "we-always-get-our-man-or-at-least-try-to" books which can be very dreary and very often are. What makes this one different is that it isn't! I have read many books about cops and robbers, secret service and treasury department men, and so, probably, have you, and in almost every case the style is desperately pompous, what might be called a style with big, wobbly jowls on it. Mr. George on the other hand has a clear, concise style which is easy to read and leaves something to the imagination of his reader. Another good point about it is that his crooks are crooks, not glamorized, and not, going to the other extreme, dumb dopes who could be caught by any half-witted boy scout. There is a lot of enjoyable reading in this book, and plenty of excitement.

Willis George was a counter-espionage agent for Naval Intelligence during the war, and also an instructor in the Office of Strategic Services school. His book, is an account of his experiences in searching for evidence that would convict suspected spies.

There has been a real need for years and years for some pioneering soul to write a book for Americans who have not done much if any traveling, which would give them an idea of how to go about their business in a foreign land.

Such a book has now been written. Published by the Reinhold Publishing Company, *Going Abroad For Business,* by Edmund B. Bessielievre, is a much-needed and valuable book for the business man who is going abroad for the first time. For that matter, it could be read by the so-called "seasoned traveler" with profit, and represents a real contribution to our foreign trade activities.

It is a comprehensive work, and deals concisely with most, if not all, of the contingencies that may arise to confront the stranger in a strange land, but to this reviewer's mind the most valuable chapter of all is Chapter Thirteen, tersely titled, "How to Act."

We are a nation accustomed to size and sanitation. We are also not a little proud of ourselves, and there is nothing wrong with that. On the other hand, too many of us, when we go abroad, are apt, our money wages being so much higher than in other countries, to throw our money 'round in an ostentatious way; to discourse exclusively on the relative heights of the Empire State Building and the buildings in the city to which we have just come; to give the impression that America, to judge from the amount of time devoted to the subject, consists of a long unending line of glittering bathrooms.

It is understandable that when one is used to the best one wants it. But when it just is not available, and the "native" is perpetually badgered about the lack of it, the native can become quite furious, and, on the analogy of one drunken soldier making a drunken army, convinced that the United States is a country that can never be comprehensible to the outside world, peopled solely by *nouveaux riches,* all of whom live in 600th floor lavatories.

The book concentrates largely on South America, since that has for some time been, and may be for some time to come, our main commercial field, but wherever the business man plans to go, this book will give him food for much thought on the boat. It is heartily endorsed by the Foreign Credit Interchange Bureau.

A GUIDE TO DEBT-COLLECTION

What To Do Before You File Suit

by DWIGHT A. POMEROY
School of Law
UNIVERSITY OF UTAH
Salt Lake City

Before resorting to legal procedures as a means of collecting a debt, there are at least two preliminary steps which should be, and ordinarily are, taken by the prudent creditor. In the first place, a reasonable effort should be made to obtain a voluntary payment by the debtor. This may be done personally or through correspondence. It involves, however, a great deal more than the making of a mere request for payment, the making of a forceful demand for the performance of what is due, or, in connection therewith, the making of either an open or a veiled threat of legal compulsion.

Assume Debtor Is Honest

The method of approach will, of course, be different to some extent in each individual case, depending largely upon the care taken by the creditor in ascertaining the emotional reactions, the interests, and the characteristics of the particular debtor. If each person possesses a "blind side," so does he possess a contrary side, from which he will rarely fail to see and to recognize his obligations, especially when they are properly presented to him. In all cases, except possibly when dealing with known "dead beats," the creditor will gain if he proceeds under the assumption that the debtor is inherently honest, that he has the intention of paying his debt, and that he is merely negligent in attending to his affairs. This is particularly true when the creditor, while attempting to obtain payment, conveys his feelings in this respect to the debtor. Indeed, many successful businesses that have high records in making collections send out notices of default, phrased carefully and tactfully, which cannot in any way be the basis of the least resentment on the part of the debtors.

After making a reasonable effort to obtain a voluntary payment of debt, and determining to seek legal redress, the next step of the prudent collector is to examine his claim to ascertain whether it is enforceable by law. In many instances he must necessarily seek assistance of one skilled in the law for the answer to this question. Yet, there are some commonly-known statutory rules of law by which the creditor himself may test the enforceability of his claim. For example, the creditor may often easily ascertain whether his claim is outlawed or, in other words, whether the remedy given by law is barred by the Statute of Limitations. In this connection, he must keep in mind that the time in which a creditor must bring an action to collect a debt depends not only upon the laws of the state in which he brings the action, but also, in a given state, upon the nature of his claim. To illustrate, an action to recover on an open account must be brought within three years in Arkansas and within five years in Missouri. On the other hand, an action on a note is not barred until the lapse of five years in Arkansas and ten years in Missouri.

The creditor should also ascertain whether his claim, if it is based upon an oral agreement, comes within the terms of the Statute of Frauds, and, is so, whether there exist such facts as are required to prove the claim, such as a memorandum, a part payment, or a part performance. If the creditor is a seller and is making a claim for the price of goods, he should ascertain whether his claim is valid in view of the rules of the Sales Act. His claim, for example, may not be valid because an action to recover the price of goods may not ordinarily be maintained when the title to the goods has not passed to the buyer.

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Even though his claim appears enforceable under the foregoing and similar statutes, the creditor should ascertain whether his claim is provable under some generally known rules of the common law. For example, his claim, if based upon an oral agreement, may be excluded by the Parol Evidence Rule if the creditor and the debtor have entered into a subsequent contract in writing. When the creditor's rights are restricted to the subsequent contract, the duties of the debtor under the former contract are discharged by a merger if the terms of the two contracts are the same, or by rescission or accord and satisfaction of the terms of the second contract are different from the terms of the first contract.

The Hearsay Rule

The creditor should also ascertain whether his claim is provable under commonly known rules of evidence, such as the Hearsay Rule. For example, if his claim is based upon a book account, his journals or ledgers will be admitted as evidence of his claim under an exception to the Hearsay Rule, which is known as the Shop-Book Rule. However, this is true only when the entry therein was an original entry made reasonably contemporaneous with the transaction it chronicles.

The creditor should also test the possibility of enforcing his claim by commonly-known rules as to the competency of witnesses. For example, his claim, though meritorious,

cannot be proved if he must rely solely upon the testimony of an insane person in order to prove his claim. The creditor may also be unable to prove his claim when he must rely solely upon his own testimony. All other things being equal, the word of one person is as good as the word of another. Hence, when a creditor makes a claim which is denied by the defendant, in the absence of other facts, the creditor is denied a judgment on the ground that he has not met the required burden of proof.

The Next Step

After the creditor reaches the conclusion, with or without the aid of an attorney at law, that his claim is one that may be enforced through legal procedures, the next step is to determine whether an attempt to collect the debt in such manner is a prudent action. In some cases, of course, good will is involved and may be the deciding factor in determining whether to litigate a claim. Here, however, prudent action on the part of the creditor refers to the possibility of collecting the debt. It is possible to set in motion all available legal machinery, and yet be unable to obtain satisfaction of a claim. The question is simply whether the attempt will be a paying venture or, in other words, whether it will be worth while to obtain a judgment against the debtor. It is a trite saying that one should not "throw good money after bad." Since the creditor, as a general rule, must initially pay the costs of a court proceeding and rely upon repayment by the debtor against whom judgment for costs may be rendered, the creditor should seek some assurance that any judgment obtained by him can be satisfied by the debtor. Otherwise, the creditor will lose not only the amount of the original claim, but also the costs of the proceeding which he advanced.

There are various methods of determining, with more or less certainty, whether a judgment can be collected. Personal inquiries among friends or acquaintances of the debtor, bankers, or other persons who have had business dealings with the debtor, will often supply the answer. If not, inquiry may be made at a local credit bureau, which in some places may be a function of the chamber of commerce. The credit bureau can supply information as to the financial standing of the debtor. Other good sources of information as to the financial status of the debtor, particularly if he resides in a distant city, are national credit agencies, such as the National Association of Credit Men.

Having determined that (1) the use of legal procedures to collect a claim is necessary, (2) the debt is enforceable, and (3) the action will be profitable, the creditor's next step is to determine the court to which resort should be made. To a large extent, of course, the answer to this question will depend upon the jurisdiction of each court; that is, it will depend upon the power of the court to hear and to decide the issues brought before it. This is prescribed by statute. In some instances, however, when an overlapping of jurisdictions permits a choice between courts, the formality or informality of the procedures will be a deciding factor. In other instances, the time element involved in the different procedures will be a decisive factor. If there is no advantage in all other factors, the cost of making the collection in the different courts may resolve the question in favor of one court instead of the other. In most instances, the creditor will ordinarily be compelled to resort to a county or a district court or to a court of justice of the peace. In some states the creditor may possibly resort to a superior court, a municipal court, or a small claims court. If the debt amounts to a sum over $3,000 and the parties are citizens of different states, the creditor may resort to a Federal district court.

Court Depends on Amount

The highest courts of general, original jurisdiction for the collection of debts in most states are known as county or district courts. The creditor must ordinarily go to such courts for the collection of large sums. In some states the creditor must have a claim over a specified sum in order to bring an action in these courts. In such instances the minimum amount required for an action in these courts coincides usually with the maximum amount that can be collected in an inferior court. In some states there exist both district and county courts. When this is true, the district court may have the general, original jurisdiction, and the county court may have a limited jurisdiction, with power to try only cases involving sums not in excess of $1,000 or any other amount.

In most states small claims will be collected through courts of justices of the peace. The jurisdiction of such courts is limited. As a general rule, courts of justices of the peace try cases involving sums of not more than $100 or $200. In some states, however, the amount involved in a given case may be extended by assent of the parties. Thus, in one state a justice of the peace may ordinarily hear and determine cases for the recovery of sums up to $100, but by agreement of the parties he may try a case involving an amount up to $300. The procedures of these courts are less formal, less complicated, and less expensive than in the higher courts.

Other Courts

In some states the cities of a specified population are authorized to establish superior courts or municipal courts. Within the limits of the municipalities, these courts supersede the courts of justices of the peace. The jurisdiction of a municipal court or of a superior court varies in the different states. It may be the same as that of courts of justices of the peace; it may be greater to a limited extent, including, for example, cases involving amounts not in excess of $1,000; or it may be the same as the county or district courts. The procedures in these courts are more formal and more complicated than in courts of justices of the peace. The fees are also higher, in some instances being the same as in district or county courts.

In the past, because of the attendant delay, expense, and procedural technicalities, the small but meritorious claims, particularly when possessed by the poor, have remained unsatisfied. As a result, today in many states there are statutes which provide for an informal, simple and inexpensive procedure for the collection of small debts before tribunals which are usually known as small claims courts. Such a court is known, however, in some states as a Conciliation Court, a Wage Claim Court, a Small Debtors Court, or a Conciliation and Small Debtors

Court. The jurisdiction of these courts range in the different states from the sum of $20 to $200. The procedural modifications in these courts afford adequate hearings for the determination of the issues, with the minimum of delay, formality, and expense. It should be noted that in order to prevent the use of these courts by collection agencies, the statutes may exclude from the jurisdiction of these courts claims held by others than the original creditors.

Now Try and Collect!

After obtaining a judgment, the creditor's next step in the collection of his claim is to obtain satisfaction of such judgment. In many instances, of course, the debtor will immediately pay the amount of the judgment rendered against him. If, however, he refuses or neglects to make payment, the creditor may obtain an order from the proper court directing that the property of the debtor, except that which is exempt from seizure for such purposes, be taken on execution and sold for the satisfaction of the judgment. In some states such an order is issued automatically upon the debtor's failure to pay. A writ of execution is usually issued by the clerk of the court, directing the sheriff or another officer, such as a constable, to levy the execution upon the goods and chattels or upon the real property of the debtor. Subsequently, the property is sold in accordance with statutory procedure, and the proceeds are applied toward the satisfaction of the debt. Inferior courts may or may not have the power to issue an execution. In some instances the power of such courts may be limited to issuing an execution to be levied only upon the personal property of the debtor.

Writ of Attachment

The issuance of an execution to compel satisfaction of a judgment may, in some instances, prove to be fruitless. This may happen even though the creditor, before resorting to litigation, has investigated the ability of the debtor to meet the demand. During procedural delays, the debtor may dissipate, destroy, or conceal his assets. In order to forestall such disappointments, statutes provide that under prescribed circumstances certain courts may, at the time of the commencement of an action or at any time thereafter before judgment, issue a writ of attachment ordering the sheriff or another officer to seize certain specified property of the debtor. This property is held subject to sale for the satisfaction of the debt, provided the creditor is successful in obtaining a judgment in his favor. The creditor must ordinarily furnish a bond for the payment of damages for injuries to the defendant in the event that the order of attachment has been wrongfully obtained.

The right of the creditor to obtain a writ of attachment is limited by the terms of the statute providing the remedy. Thus, under the provisions of some statutes, in order to obtain the issuance of an attachment, there must be a showing by the creditor of the existence of one or more conditions, such as: The defendant (1) is a foreign corporation or a non-resident of the state; (2) has absconded with intent to defraud his creditors; (3) has left the jurisdiction of the court to avoid the service of a summons; (4) has concealed himself so that a summons cannot be served upon him; (5) is about to remove his property, or a part thereof, out of the jurisdiction of the court with intent to defraud his creditors; (6) is about to convert his property, or a part thereof, into money for the purpose of placing it beyond the reach of his creditors; (7) has property or rights which he conceals; (8) has assigned, removed, or disposed of, or is about to dispose of, his property, or a part thereof, with intent to defraud his creditors; or (9) has fraudulently contracted the debt or incurred the obligation for which action is about to be or has been brought. The statute may require the judge of a particular court to limit the amount of property to be attached. Some courts, for example, the county or district court, may issue attachments against any kind of property. Other courts, such as courts of justices of the peace, may have limited powers. Still other courts, such as small claims courts, may not have authority to issue attachments.

Assets of the debtor which are in the hands of a third person may also be attached for the satisfaction of the creditor's claim. The creditor may institute a proceeding to require any third person who has goods, chattels, or money of the debtor to deliver such property into the hands of the court, or to give a bond that such property will be delivered upon demand. This proceeding is known as a garnishment. The third person, called a garnishee, is often the employer of the debtor to whom certain wages are due. The goods, chattels, or money turned over by the garnishee will be held, as in case of other attached property of the debtor, subject to the outcome of the trial. If the creditor is successful and there are no other persons having prior claims upon the property of the debtor, the money or the proceeds of a sale of the goods or chattels that was made in accordance with statutory procedure will be applied toward the satisfaction of the judgment.

Credit Managers

(Continued from Page 11)

would indicate it would not be necessary to ask you for more."

A competitor of credit manager number two's employer is now getting more than half of our business in that line.

Three of a Kind

The wrong merchandise had been sent us. Invoice date was the 25th of the month and terms were 1% 10 EOM. The merchandise arrived on the 8th. We returned it promptly. Came the 15th and a reminder from the credit department. We returned the reminder with a note explaining. Came the 25th and another form reminder. Credit memo for the return had now reached us. Came the 5th of the following month and a more insistent form letter request for payment. It went into the waste paper basket and the new order on my desk went to a competitor.

To my mind comes a recollection of the advice of my first superior. "Nine out of ten dissatisfied customers don't even come back to kick. Do everything you can to see a problem from the customer's point of view. If you do find him dissatisfied don't be afraid to humble yourself to find out why, and to take the proper steps to correct and to avoid a repetition. If you do more than he expects, you may bring back a few of those nine who didn't even come back to kick."

KEEPS A/C LEDGER CURRENT

Machine Posting System Speeds Monthly Statements

The method of handling accounts receivable records at J. H. Kimball Inc., New York City wholesalers of women's handkerchiefs and scarfs, may be of interest to credit men and financial officers.

Obviously, the biggest problem in accounts receivable record-keeping springs from the month-end "peak" load. This regularly develops when transactions taking place during the month must be reconciled on the ledger and customer statements must be prepared *all at once.*

Not long ago, J. H. Kimball had that problem—and also the further complicating factor that statements of salesmen's commissions likewise had to be prepared at the close of every month.

By a change in system, Kimball can now balance its accounts receivable ledger daily, keep its customers' statements posted currently all during the month, and write its salesman's commission statements in the same operation with the accounts receivable records.

One Operator Does Job

That sounds like putting on extra help and maybe throwing some overtime in as well, doesn't it? Actually the reverse is true. One girl does the entire job today within regular working hours.

If—toward the end of any month back in 1943—you had walked into Kimball's modern office just east of Fifth Avenue, you would have stepped into the midst of a whirl of

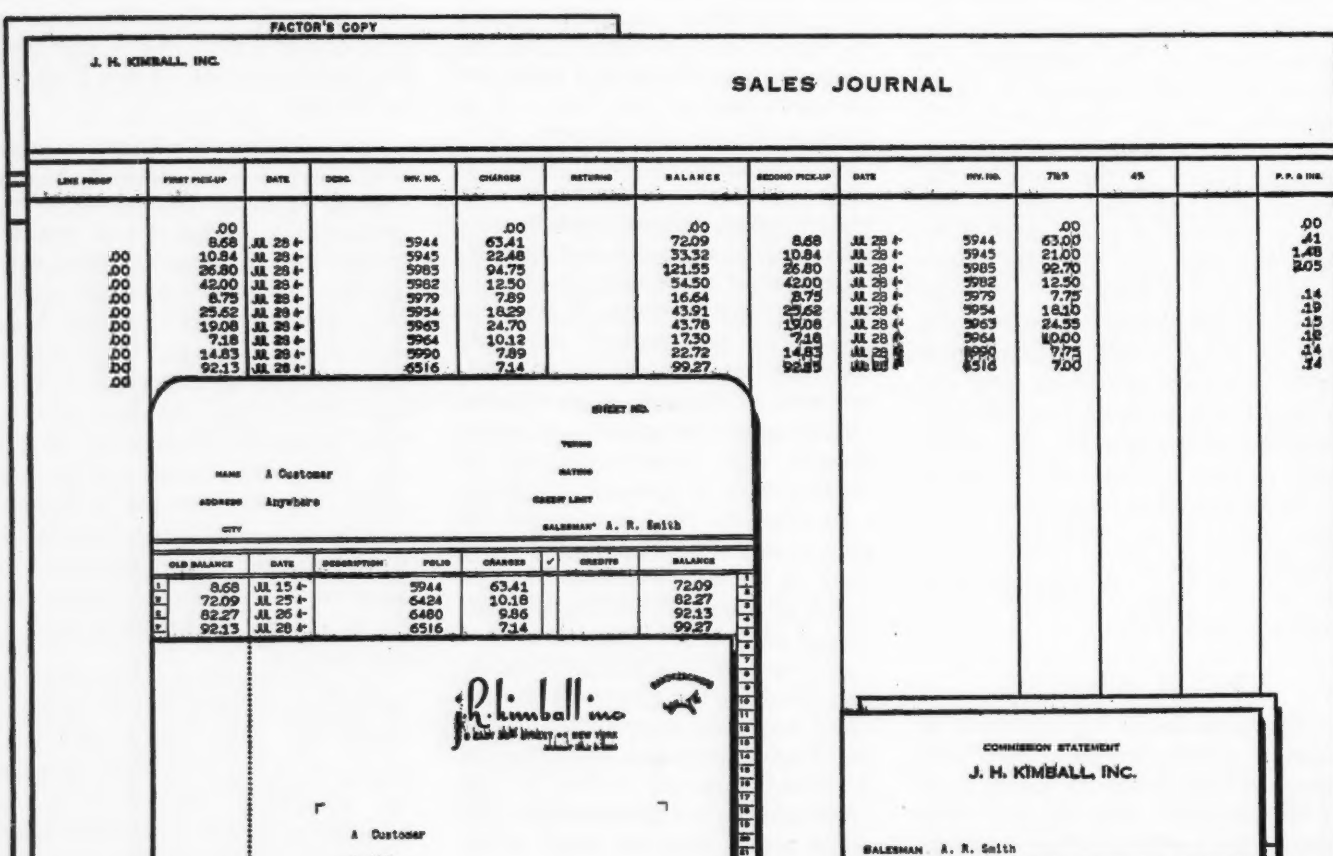


Figure A

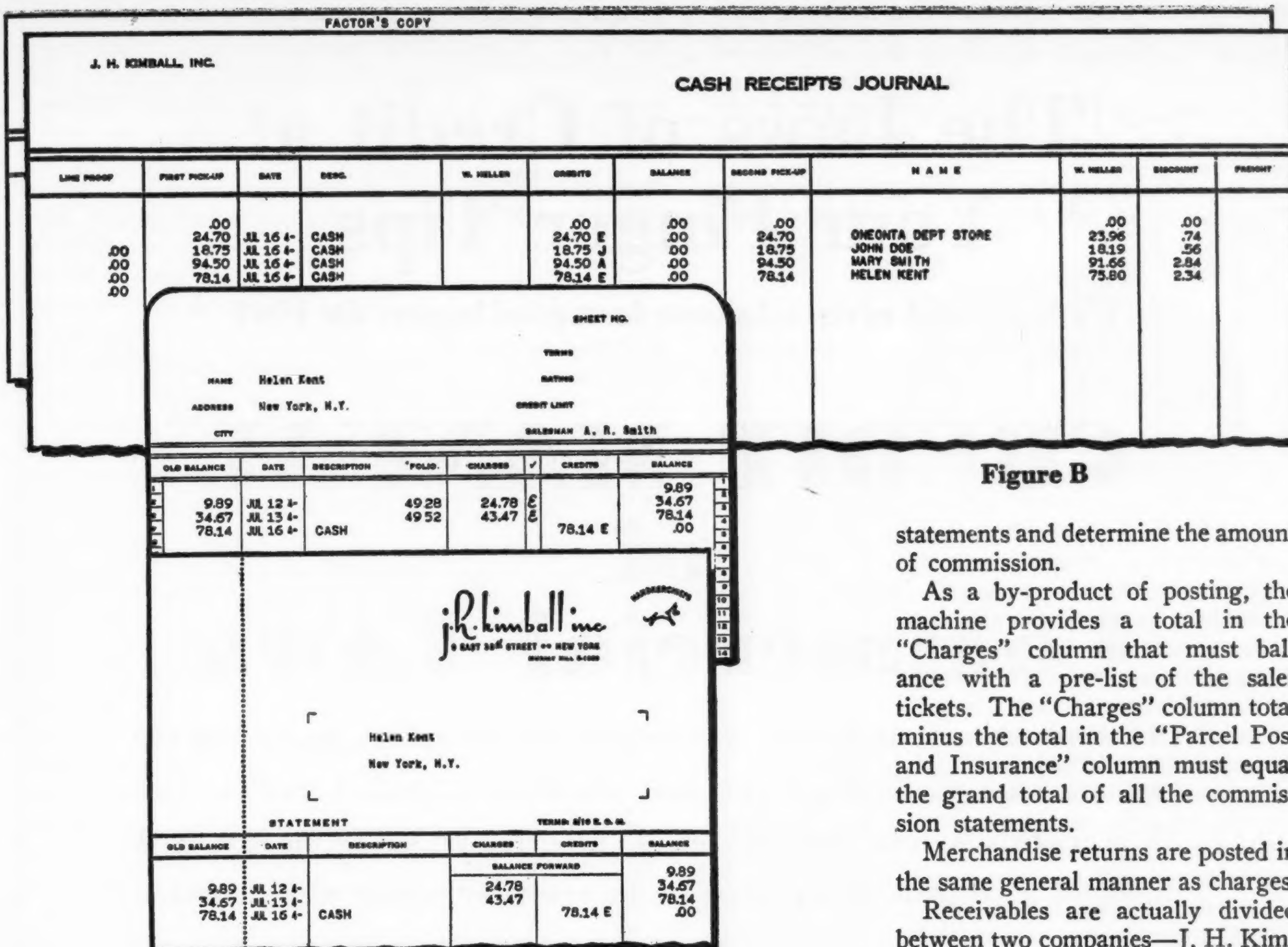


Figure B

activity.

Clerks would have been frantically trying to bring the ledger into balance so that they could just as frantically write customer statements and get them into the mail—not too late in the month, they hoped.

After that, there still came the matter of preparing commission statements for the salesmen.

It was a headache, as anyone ever associated with that sort of procedure knows.

Here's how simple and efficiently it is disposed of today through mechanization of the work.

Four Jobs in One

In handling charges, the Burroughs typewriting-accounting machine used by Kimball writes the customer's ledger and statement, the salesman's commission statement, the sales journal, and a report to the concern's factor all in one operation (see Figure A).

This is a *daily* job done from copies of the sales charge slips. These have been pre-sorted according to salesmen and then further sorted alphabetically by customers within each sales group so as to correspond with the order of the ledger.

After picking up the old balance on the account ($92.13 in the July 28 entry illustrated), the operator types in the charge slip number. The date prints automatically. She then enters the amount of the current charge ($7.14), the machine computing and printing the new balance ($99.27) on the account.

The operator picks up the account's old balance a second time. She types the reference number and enters the current charge, both of which appear this time on the commission statement, the date again printing automatically. This second set of entries subtracts from the first set. If the posting has been done correctly, a zero balance prints, as indicated, in the column at the extreme left of the Journal.

Handling Commission Figures

Since the company has only a dozen salesmen, it is a simple matter at the end of the month to run adding machine tapes on the commission statements and determine the amount of commission.

As a by-product of posting, the machine provides a total in the "Charges" column that must balance with a pre-list of the sales tickets. The "Charges" column total minus the total in the "Parcel Post and Insurance" column must equal the grand total of all the commission statements.

Merchandise returns are posted in the same general manner as charges.

Receivables are actually divided between two companies—J. H. Kimball, Inc., for handkerchiefs, and Scarfs by Kimball, Inc., for scarfs. Each has about 2000 accounts with an average of probably 3½ postings a month to each account—or about 14,000 charge and credit postings monthly. Separate posting runs are made for the two companies each day.

Books Always Current

Checks go on the records the same day they are deposited so that the books are always on a current basis. Credit postings are made in the morning, allowing the checks to be deposited the afternoon of the same day. Charges are posted in the afternoon.

With the checks stuffed in the ledger, the accounts affected are laid on their sides in the ledger tray so that the operator can spot them quickly as she makes her straight credit run through the ledger. She posts customer's ledger and statement, cash receipts journal, and a report for the factor all in the same operation (see Figure B).

Again, as a by-product of posting, the machine provides proof totals. In this case, the total of credits,

minus discount and freight, must equal the total of the checks. The latter figure, as accumulated by the machine during the posting run, must agree with a pre-list of the checks themselves.

The system really builds up to this. On the last day of the month, Kimball posts only the charges and credits for that one day. All statements for the month can be mailed the next day.

To understand fully what the new system has meant, you have only to realize that the old system required the services of several girls with about half of today's volume. Today, as mentioned before, one girl does the entire job.

The work balances to the penny today—primarily because it is balanced in daily batches all during the month. They no longer wait until the end to balance the complete set of entries for that month. Actually, with the old system, practically all they accomplished during the month was to write preliminary figures on the records—figures that had to be rehandled and proved in their entirety at the close of the month.

Remittances Are Identified

Amounts owed and amounts paid are linked together on the records by a simple system of letters. When a check comes in a clerk simply writes a letter of the alphabet on the ledger card beside each charge entry covered by that check. Later, when posting the checks, the machine operator types in the same letter after the amount of the check. Appearing on both ledger and statement, the letter provides a perfect tie-in of charges and credits so that anyone can tell at a glance what amounts are unpaid.

Incidentally, Kimball has very few delinquencies—probably due, at least in part, to the fact that they get their statements out earlier now than ever before. The old maxim about "the early statement getting the check" still holds true, even with money as plentiful as it is today.

Viewed from any angle, Kimball's system leaves the observer impressed with its soundness and orderliness—to say nothing of the saving in time and money it has effected.

TRENDS IN CONSUMER CREDIT

Postwar Expansion Calls For Educated Public

by E. I. H. BENNETT
Vice-President
PEOPLES FIRST NATIONAL BANK & TRUST COMPANY
Pittsburgh

Consumer Credit is still a big question mark in the minds of some bank officers and directors and I attribute that doubt of its importance to an unfortunate lack of understanding. Because of that, I have been obliged, from time to time, to try to convince the doubting Thomases that Consumer Credit is really here to stay—that it is an integral part of our economic life—and that, without it, we could not possibly have our present standards of living. In one sense, I don't really mind doing a selling job for Consumer Credit, for I'm such a firm believer in it that any doubts about it give me a desire to work for it.

Consumer Credit embraces all types of credit to the buying and borrowing public whether it be small loans, auto loans, charge accounts, budget accounts, or other types of merchant's credit accommodations. My remarks are intended to apply to what I call Consumer Instalment Credit—which I like to define as the credit vehicle by which people may buy or borrow and repay that obligation over a period of time out of their regular income.

How It All Started

To discuss trends in this field intelligently, we should first review briefly the history of small lending and instalment buying in our modern times. In 1878, an individual started to make small loans, in Chicago, to other individuals and, out of this modest beginning, the Household Finance Company developed. In 1881, in Boston, the first newspaper advertisements for small loans came to the public's attention and the small loan business gained momentum from there on. It was not until 1916, however, that specific legislation was proposed to regulate this important business and the borrowing public can be grateful to the Russel Sage Foundation for its cooperation in drafting the Uniform Small Loan Act which is existent in so many states today. While I, as a banker, do not agree with the higher rate policies of these agencies—rates of 2% or 3% per month—and while I am openly competing with them for small loan business at substantially lower rates, I nevertheless admire them for what they have done to show some recalcitrant bankers that the small loan business is a sound one. To give you an idea of how the small loan companies have progressed, bear in mind that, at the close of 1944, there were 4,192 offices of small loan companies—national and local companies—doing an annual business of $876,000,000.

In the small loan field, there are of course other types of lending agencies. The industrial banks, started by Arthur Morris in Norfolk in 1910 are prominent among these and these banks have made a splendid contribution to consumer credit. Then, too, we have credit unions, pawnbrokers, not to mention the unlicensed lenders and if we could really get together a truly accurate figure for all types of lending agencies, I have an idea that the actual volume of loans made to the so-called consumer would stagger one's imagination.

Instalment Selling

Still another type of lending has come into its own within the last two decades. I refer to instalment selling of durable goods and the attendant financing of that type of sale. Instalment selling is not new and certainly did not originate in our lifetime. We are told that it originated back in the days of the early Egyptians when silks, grains and other commodities were sold on a deferred payment basis. Regardless of the date of its origin, we are all fairly well agreed that it became a big business and an accepted part of our life with the advent of the automobile. It was rather natural that the auto and an easy repayment plan should develop concurrently, for auto manufacturers could not hope to get the average wage-earner to buy a relatively high-priced article unless they made it easy for him to pay for it. Certain men, with a good deal more vision than they were given credit for at the time, organized sales finance companies to buy the notes of car buyers and they prospered—almost without exception. Their rates were high, they built up sizable reserves and they weathered the hectic days of 1929-1933 far better than many other businesses built on credit. Upon analysis, that, too, is not hard to understand. These companies were putting their faith—and their money—in the hands of the public,—Mr. American Citizen—and they proved to themselves and the world in general that the public is basically honest.

At the end of 1939 in the sales finance field we find that there were 2548 offices operated by 1086 companies handling retail instalment paper—on automobiles, refrigerators, washers, and just about everything—totalling $1,990,000,000 annually. That is big business—far bigger, I imagine, than ever expected by those few pioneers in this field.

Banks Enter the Picture

Thus far, I have mentioned only the finance and loan companies and have not made reference to the part played by banks—national and state banks—in this field. Actually, banks

were rather slow to get in it. All this was new—it was something of a departure from what appeared to be sound banking principles—and, as we all know, banks were on the ultra-conservative side back in the early part of the century. One of the factors which brought about a change in thinking was the National Housing Act of 1934, which permitted banks to make loans on property improvements. Maturities extended up to 5 years, with the banks given a 20% insurance reserve for losses. Later on this latter feature was reduced to 10% but, by that time, banks were all agreed that even that might not be needed.

During the first ten years of F.H.A., 4,609,000 loans were completed and the national and state banks made 2,749,000 of that total! Here was conclusive proof that banks were in the Consumer Credit picture and, having tasted this rather satisfying experience, it did not take them long to branch out to the small loan and sales finance part of the business. Today, by actual survey of the American Bankers' Association, over 10,000 banks in the United States are engaged, or expect to be engaged, in some form of instalment consumer credit—auto financing, appliance financing, improvement loans, personal loans or a combination of all.

And, of course, in addition to all of these lending or financing agencies, there are thousands of merchants throughout the country who are conducting an instalment financing business in the daily sale of merchandise. You are probably more familiar with the volume figures in this group than I, so I won't attempt to give you any statistics, but I'm sure you'll agree that their sales on a deferred payment basis constitute a major factor in this field of Consumer Instalment Credit. And these merchants have done a grand job to further the cause of Consumer Credit.

It was my fortunate experience to have been associated with one of the nation's leading chain merchants for a number of years. It was that experience, I believe, that gave me a clearer picture of the real importance of consumer credit. I was able to see glaring examples of over-selling of terms, over-extension of credit, sales lost because of a too conservative credit opinion, the almost con-

stant difference of opinion between the salesman and the credit man—and hundreds of other factors that accompany department store credit operations. And, despite all the difficulties and headaches that we are bound to have in this business, I emerged with the firm conviction that the American Public is honest, that Consumer Instalment credit is basically sound and that the banks of this country, if they are to perform their natural and necessary servicing functions to their customers, must participate in this lending and financing operation to a far greater extent than in the past. Hence, I am now a banker.

Mr. Bennett delivered this address at the Regional Conference held in Cincinnati in November, at a session to which the retail credit men had been invited. It is reproduced here since it is felt that, as Mr. Bennett points out, it is essential for *all* credit men, wholesale or retail, to keep abreast of consumer credit trends. Mr. Bennett, being a banker, naturally approaches the question from the banker's point of view.

Competition All-Important

You may wonder why all this background is necessary to dwell at any length on present day trends in this field. My primary purpose in reciting some of the developments of past years is to bring out one factor which will have greater effect on the future than any other single factor. That is—COMPETITION. Developing from a small beginning, where the lender or seller could make his own terms and be highly selective from a risk viewpoint, competition has brought this type of credit to a point where the tables are almost completely reversed. Competition has given the consumer a break—and a well-deserved break, when we consider the high rates and restrictive terms to which he was subjected prior to the time competition brought about these changes. Competition among these various financing and selling agencies resulted in, ***first,*** lower costs to the consumer; ***second,*** an extension of the period of time over which such debts might be liquidated, and ***third,*** a more liberal credit viewpoint which, of course, was the result of favorable experience over the years. And, surprisingly enough, these refinements, which were declared to be impossible back in the middle 30's, did not seem to have any visible effect on the old-timers in the business. They still made money, their losses continued at a low ratio and every one seemed to be very happy.

All this seems to prove the old saying that competition is the life of trade, and certainly I am a firm believer in that theory, as long as competition is ethical and conducted along reasonable lines. When, however, it assumes greater importance than sound business ethics, I think we may be headed for rather dangerous waters. From my observations, most competition among various industries is still maintaining an even sensible course but there have been some signs, recently, that competition between the various agencies in the sales finance field may develop into a stage which could easily be harmful to the cause of Consumer Instalment Credit.

Fortunately, the evidence we have seen of what I consider unethical competition is not typical of all sales finance companies. I have always believed—and still do—that the finance companies and the banks of the country can and should compete on a fair basis for the benefit of the consuming public. However, if competition should develop to a point where one agency disregards sound reasoning in their panicky desire for loan volume, I don't see how it can be of any benefit to Consumer Credit. You and I and the thousands of others engaged in the business cannot possibly gain if, by virtue of competitive practices, caution and sound thinking are thrown to the winds; if rates are reduced to an unprofitable basis; if down payments are forgotten and if excessively long terms are made the common rule. This is a credit problem—it should be approached by all agencies with clear and reasonable thinking.

Three Yardsticks

And so, bearing in mind the historical background of Consumer Credit, the relatively rapid growth of this credit vehicle, the good that has so far resulted from healthy competition and the potential evils that may arise from destructive rather than constructive competition, I think we can briefly review the trends in Consumer Credit as they appear to me today and perhaps we can go a step farther by making some kind of a guess as to what is in store for the future. Whenever I try to make a thorough analysis of Consumer Credit and attempt to analyze its trends, I like to break it down into three component parts—RATES, TERMS and CREDIT POLICY. Each of these parts is related in some way to the other but yet it is possible to have a change in rates, for example, without affecting terms or credit policy. By the same token, we can adjust terms without affecting the other component parts and, as I see it, any appraisal of present day trends in Consumer Credit as a whole should be made on these three factors individually.

Let's first consider the subject of rates. It is rather obvious that rates to the consumer have been very substantially reduced. I have mentioned that competition helped to reduce rates and that is, of course, a very natural economic development. But the lowering of cost to the public has resulted from more than competition. First, of all, time has proved that the excessive risk elements in this type of financing do not actually exist to the extent originally believed and both lenders and sellers have recognized that the high reserves set up in the past at the expense of the borrower or buyer are not really necessary. This portion of the cost has been somewhat reduced. Then, too, years of experience have brought about time-saving and cost-saving operating refinements with such savings passed on to the borrower. The cost of money has likewise declined and, while we all know that the cost of money is not one of the major expense items in instalment finance, the low interest rates in effect today have had some influence on the over-all consumer rate struc-

ture existent in our present economy.

While we may see further reductions in our rates, I hope that there will be no more rate wars. I, personally, am in favor of holding our present levels because I know—and I'm sure most of you know—that, even at today's level, it is not easy to realize just a reasonable margin of profit. Salaries, rent, heat, auto expense—in fact, just about everything except postage stamps—have gone up and it is certainly inconsistent with the present general thinking to believe that, with those increases, the price of our product can go down.

Sound Terms

When we speak of TERMS, we mean down payments and maturities. During recent years, I feel that there has been a gradual recognition of the wisdom of *sound* terms. First, it was the finance companies and merchants who dictated terms. Later on, certain manufacturers, in their desire to reach more of the public, suggested and more or less set the terms. Still later, the merchandising public utilities, in their desire for more "load," broke wide open the established terms on electrical appliances and set the pace for extended and, in some cases, unsound terms on these and other articles. And then, along came Regulation W which, according to some people, put the clamps on excessive instalment selling terms. In my opinion, however, it accomplished exactly nothing in that respect, for it was actually the lack of merchandise and the reduced need for borrowing that brought about the decided decline in Consumer Credit outstandings.

Today, we are still governed by Regulation W and the future, as far as terms are concerned, will depend upon what happens to that restrictive and unnecessary executive order. Assuming that it is abandoned, as I hope it will be, I do not share the alarming view taken by some who look for a wild era of no down payments and excessive maturities. I feel, of course, that the present terms set forth by the Federal Reserve Board are too strict and that some liberalization is essential if we are to have the proper flow of durable goods to the proper people. When we get a little closer to what we can consider a normal economy, and when

goods are once again available in reasonable quantities,. we cannot possibly expect the laborer, for example, to pay 1/3 down for a refrigerator and liquidate it over a period of one year. At the same time, I don't believe we should let him buy it without a down payment nor should his payments be spread over as much as three or four years. Somewhere between these extremes is a happy medium and it's up to you and thousands of other thinking, experienced men and women to determine just how far we can safely go. I believe that the regulation of terms should be placed where it properly belongs —in the hands of the credit and financial men of the country—not in the hands of the Federal government or any agency of the government.

Uniform Credit Policy

As difficult as it may be to get thousands of credit executives to agree on rates and terms, that is an easy job compared with the task of reaching complete agreement on Credit Policy. The favorable experience we have had has undoubtedly helped to bring us closer together but it will be a long time before we will be able to unanimously agree on certain basic credit factors. However, let's see what the trend appears to be. There is developing among all Consumer Credit agencies a genuine respect for its sound principles and, as result, more and more people are qualifying for credit.

I'm sure you can remember, as I do, when less than 80% of those who applied for credit were accepted. The other 20% were turned down because we didn't think they were entitled to $300 to $400 of credit. To give you an idea of how this is changing, consider the results at my own bank. In 1945 and for the first nine months of this year, 96.7% of *all* applicants for a personal loan—an unsecured, signature loan—actually got their money. Only 3 out of every 100 were turned away. Now, why is this? Simply because, instead of trying to determine a man's net worth, we get a record of his earnings, his employment, his other paying habits and we consider as collateral his character and his ability to repay. By doing this, we feel that we are opening the gates for the wage-earner, the real life-blood of the country—to make use of credit when he really needs it.

While we are considering Credit Policy, I think we should also give proper consideration to the reaction of the public—perhaps we should regard it as the education of the public —for I believe that education will have and has already had some influence on our credit decisions. Just a few years ago, only a very few asked "how much does it cost?" They simply asked "how much are my monthly payments?" I feel that this is changing. People are becoming more cost-conscious. They are probing into the transaction to find how much finance charge has been added, how much is added for insurance or service charge and then they sit down and figure it all out on a percentage basis. That is a healthy condition.

And then, too, the public understands, to a greater extent than ever before, their obligation on a loan or purchase. They have been educated to pay promptly, they are familiar with the seller's rights of repossession, they know what it may mean to sign a judgment note. That, too, is a healthy condition.

Far-Sighted Policy Needed

Now, what about the future as far as our credit policy is concerned? Well, I think credit men and women hold the key to the future. If you are going to be guided by worn-out rules and regulations, if you are going to interview applicants with a view of finding out why you should *not* extend credit, if you have the feeling that you are doing someone a favor by extending credit—then you will not be doing the right kind of a job, the people who need credit will not get it and I can't see much of a future for Consumer Credit. I don't believe we should "let down the bars"—I don't believe we should relax in our requirements if they are reasonable requirements, but I do believe that we can and must give proper and realistic consideration to the needs of our wage-earning friends.

In addition, I feel that all of us—finance companies, banks, loan companies and merchants—should embark on a campaign to tell the borrowers and buyers all about our respective plans for financing. If these plans are sound, then there is nothing to lose, but a great deal can be gained. I believe that, if we can deal with people who know what they are buying and on exactly what basis they are buying, our job of extending credit will not only be made easier but we will also be in a position to extend credit to more and more deserving people.

Now, of course, there are other trends in Consumer Credit—some important and significant, and others of less significance. To me, however, these that I have mentioned are of greatest interest and, in my opinion, in their future development lies the whole future of consumer credit. You, who are experienced men and women, whether engaged in dealer credit, wholesale credit or any type of credit, should keep abreast of developments in Consumer Credit, for it is a BIG business.

You should consider carefully the rather obvious soundness of any credit plan which can gain such ready acceptance among the people of this country. If it is abused or used without good judgment, there is no doubt that it can become harmful to the credit structure of the country. However, if it is employed intelligently, as it has been and as I'm sure it will continue to be, it becomes an excellent selling tool for merchants, a gainful enterprise for financing agencies and a happy solution to the financial problems of the average consumer.

Credit Dept. Organization

(*Continued from page 6*)

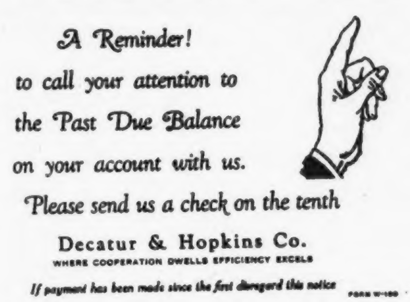
While the pertinent point of a credit man's journey may be to interview a delinquent debtor, on these trips, calls that are made on good paying accounts yield rich dividends, not only to the credit manager but to his company. To have been in a man's store, even to have been in his town, may make it much easier for you to collect a bill than if you have no knowledge of what the customer's store looks like or what his town looks like. Having benefit of a personal acquaintance with the debtor makes it possible to talk with him more intelligently on

the phone and write him a much more intelligent letter than you could if you had never seen his store or been in his locality.

Therefore, make as many personal calls as possible, know as many customers personally as you can and when you have to correspond with him or talk with him on the phone, you can do a much more effective job than you could if you did not know the debtor except by a name on the books.

Credit As a Career

Much has been said and written about making credit work a profession. I firmly believe that this phase of credit management has never been played up as much as it should be by our Association or by the individual credit man with his own company. Some men come into credit work through the accounting and bookkeeping department and that


A Reminder!
to call your attention to
the Past Due Balance
on your account with us.
Please send us a check on the tenth
Decatur & Hopkins Co.
WHERE COOPERATION DWELLS EFFICIENCY EXCELS
If payment has been made since the first disregard this notice

A Reminder pasted across the face of a statement that is past due.

is a sound and valuable approach to credit work as we all know; but I deem it particularly fortunate in my own case that I was a salesman before I was a credit manager and the selling of the importance of the credit department to the rest of the business has always been a top aim in developing what I consider an effective credit department for our business.

Top Management, as we all know, in any company is concerned with the facts of the various departments. From the credit department I am proud to state that management in my company has always been furnished with complete figures on the state of our accounts and I have never lost an opportunity to point out to them the value of the credit department's work to the functioning of the business as a whole. In our organization the sales department and credit department are so interrelated that in many ways they function as a unit. For example: Intimate personal knowledge of the customers is shared by our credit and sales department. It has always been my aim to be one step ahead of the sales department in developing statistics which are the tools of the salesmanager in directing the efforts of his salesman.

Training Programs

I would like to tell you about our sales trainee program under the G. I. Bill of Rights. When this was first announced, we got in touch with our local veterans administration and before they had set up an organization in Boston, we had taken steps to have a sales trainee program inaugurated and installed in our company. The plan was drawn up by the Credit Department in conjunction with the sales department. The outline for the plan was written, prepared and presented to Management by the Credit department with the full cooperation, however, of our sales manager. After it was approved

Do you know that? - - -

Failure to pay your account when due affects your Credit Standing?
Promptness in the payment of your bills is a Credit Builder?
Promptness in correspondence is a Credit and Business Builder?

Can you afford not to take your Cash Discount? - - -

Our Terms of 2% 10 days E O M equals 24% per annum.
This means a man who buys $100 a month from us and discounts all bills makes an extra profit of $24 a year.

. . . THINK IT OVER . . .

WHERE COOPERATION DWELLS EFFICIENCY EXCELS

Amount Past Due

Credit Department letterhead used in writing final credit letters.

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and was functioning with a group of potential young salesmen recruited for it, we saw the application of it to other departments and, for the Purchasing manager, we installed a training program for an assistant buyer; and during the past few months, with the work of the sales department and credit department expanding, we have created a position of sales department statistician which is now filled by a young lady who was in the Waves for several years and had charge of a large office. She is being trained on a 3 year program which will equip her to take over all of the statistical work for the sales department. In the course of that training, 18 months of her time will be devoted to work between the credit and sales department which will not only be very valuable to our maintaining an effective credit department, but the end result will be a thoroughly trained assistant in the sales department, who I feel sure will be thoroughly credit-minded.

I have written at some length on developing an effective credit department by telling you about our work with the sales department. Of no less importance is the work with the accounting end of the business from a management point of view. By this I do not mean the accounting department of our business alone, but more particularly working with our auditors in preparing annual reports which give the overall picture of the business to management for the accounting period.

Building for the Future

All of this leads up to what I really want to say in building up a case for credit management as an outstanding field of endeavor for all of us who are engaged in credit work, and that is to urge each and everyone to adopt a point of view in your job in your company that will build you up in value and knowledge; in this way the objective for which we are all aiming—a position of well-paid security for yourself that will enhance your value to your own company and make your own position in life one of security and pleasure—will be achieved.

I have referred to credit management as a profession. Why? Because we are dealing in human relations, a job that calls for judgment supported by facts and knowledge. It has a twofold purpose—one, to protect the profits of the business and two, to earn the recognition of Management so that your own efforts will be richly rewarded. I am proud to state that that has been true in my own case far beyond my expectations and I shall continue with the same point of view, firm in my belief that I have an assured business future with satisfactory income, prestige among my fellowmen and the affectionate gratitude of those for whom I work. Keep before you as I do that the greatest job in business is CREDIT MANAGEMENT.

Australia Plans Formation of New Credit Association

It is not improbable that Australia will soon have an organization somewhat similar to the National Association of Credit Men. There are many barriers to be broken down, but the sponsors of the movement are convinced that progress is being made, and that the effort should be continued.

The guiding spirit of this movement is Mr. Alan W. Crooks, of Sydney, New South Wales, who for the last few years has been working for the improving of credit granting conditions in Australia. He, however, has a real pioneering job to do for there is little realization among Australian business generally of the benefits of an association.

Nevertheless Mr. Crooks is going ahead with his plans, not only for an Australian Credit Men's Association, but also for the "Australian Credit Schools." This name is not final, but the general idea is to found an institution of business learning corresponding more or less to the National Institute of Credit; in fact, it is possible that the Australian School may, at least at first, draw on the National Institute for material, if not actually affiliate with it.

Mr. Crooks' initial difficulty in the founding of the Australian Association lies in the fact that the Australians are not particularly "credit-conscious." However, there is considerable support for the scheme which shows signs of being a very healthy organization indeed in a short time.

As a means of both providing finances for the new organization and also making its name more familiar in the Australian scene, the new Association is considering representing American manufacturers and distributors of goods and services, mainly stationery, office systems, and so forth for use in credit and other offices in Australia on an agency basis. Any firm interested may write to Mr. Alan Crooks, Box 1622BB, GPO, Sydney, Australia.

Paul M. Millians Talks To Omaha Credit Group

Omaha: The November meeting of the Omaha Association of Credit Men on November 21 was featured by a talk by Paul M. Millians, Vice-President of the Commercial Credit Corporation, Baltimore.

Titling his speech "Operation Credit Crossroads", Mr. Millians used the broad theme of credit as a force in our national economy and stressed the importance of sound credit not only in business but in the fiscal affairs of government. He forecast that the consequences of our past misuse of credit will not be realized for many years to come.

NACM NEWS

About Credit Leaders ***Association Activities***

New York CMA Fills Committee For Convention

New York: General Convention Chairman, Harry J. Delaney, with the assistance of Association President Earl N. Felio, and Executive Manager Raymond Hough, has completed the appointment of the Executive Committee which will assist in the handling of the many details of the N.A.C.M. Convention to be held in New York City during the week of May 11th. The personnel of this Executive Committee is as follows:

Chairman: Harry J. Delaney, Mainhard, Greeff & Co., Inc.; R. W. Anderson, Crane Company; Wm. G. Betsch, Wm. Iselin & Co., Inc.; J. M. Cooke, Clinton Trust Co.; M. J. Davis, New York Credit Men's Association; L. D. Duncan, National Distillers Prods. Corp.; Nash Eldridge, Ames Textile Corp.; Earl N. Felio, Colgate-Palmolive-Peet Co.; William Fraser, J. P. Stevens & Co., Inc.; Lillian M. Guth, Emerson-New York, Inc.; Henry H. Heimann, National Assn. of Credit Men; Raymond Hough, New York Credit Men's Association; Paul E. Hunter, Pacific Mills; G. Earle Killeen, The First National Bank of Boston; E. W. Moon, Jr., Otis Elevator Co.; F. J. O'Connor, H. A. Caesar & Co.; Mrs. William H. Pouch; H. P. Reader, Cannon Mills, Inc.; Joseph Rubanow, Manufacturers Trust Co.; F. H. Schrop, National Association of Credit Men; R. D. Scott, Chemical Bank & Trust So.; F. W. Zander, U. S. Plywood Corp.

Full information concerning the set-up of the various committees and other interesting information concerning the plans for this outstanding Convention will be published in January, it is expected.

LEADERS IN THE MEMBERSHIP RACE

As of November 30

	November Net Gain	Total	Percent
CLASS A			
SAN FRANCISCO	12	1019	109.33
Los Angeles	18	1278	106.32
Louisville	10	1035	106.26
CLASS B			
CINCINNATI	5	515	117.04
Baltimore	5	451	110.81
Milwaukee	5	332	110.66
CLASS C			
SAN DIEGO	13	259	122.16
Dallas	4	239	108.14
Omaha	16	266	108.13
CLASS D			
HOUSTON	5	178	112.65
El Paso	1	116	112.62
Dayton	0	152	107.8
CLASS E			
TERRE HAUTE	1	59	128.26
Amarillo	0	77	120.31
Columbus	6	60	117.64
CLASS F			
CHARLOTTE	2	49	140
Erie	2	26	136.84
Elmira	1	27	135

Congratulations are in order for two important members of the NACM family. Both Mr. and Mrs. E. L. Blaine, Jr., and Mr. and Mrs. David A. Weir, celebrated their twenty-fifth wedding anniversary on November 23.

Philadelphia Honors Henry H. Heimann On Fiftieth Anniversary

Philadelphia: November 14 saw the fiftieth anniversary of yet another of the Credit Men's Associations. The Credit Men's Association of Eastern Pennsylvania gathered at the Hotel Adelphia that day to celebrate their golden jubilee, and to hear Henry H. Heimann talk on "Credit Influences."

During the meeting, William Stockton, of the Atlantic Refining Company, President of the Eastern Pennsylvania Association, presented to Mr. Heimann a scroll as a token of esteem and admiration. The scroll made mention of Mr. Heimann's vital interest in membership, and in recognition of this fact contained the names of all the new members enrolled between October 1 and November 14, 1946.

"Small Business" Theme Of Jersey Bankers' Talk

Newark: Frank Sutton, President of the First National Bank of Toms River, N. J., was the speaker at the November 14 meeting of the New Jersey Association of Credit Executives.

Mr. Sutton, presented through the cooperation of the American Bankers Association, spoke on a subject of keen interest at this moment—"Financing Small Business." Besides his banking activities he is a trustee of the Paul Kimball hospital and a director in numerous civic enterprises.

Bostonians Celebrate Fiftieth Anniversary With Christmas Party

Boston: As this is the fiftieth anniversary of the Boston Credit Men's Association, plans and arrangements were completed last month for the Annual Christmas Party scheduled for December 11. The party is now over, and we will bet it was a success, but at the moment of writing it is still very much of the future.

President Laurance S. Day appointed Edwin M. Wolley, of the United States Fidelity and Guaranty Company of Boston, as General Chairman. Mr. Wolley is a Director of the Boston Association.

The party is being held at Boston's newest and finest hotel ballroom, the Louis XIV Room in the Hotel Somerset.

Large Gathering Honors W. G. Betsch On 50th Anniversary

New York: Over 600 friends and associates were present at the Pennsylvania Hotel on November 19 to do honor to William G. Betsch, Vice-President of William Iselin & Company, who plans to retire after 50 years in business, 48 of them with his present firm.

If Mr. Betsch wished to know in what esteem he is held in this city, all he had to do was to look around the room. Such a gathering is unusual in itself, but one of such numbers was almost unprecedented.

Speakers at the luncheon were Harry J. Delaney, Vice-President of Meinhard, Greeff and Co., Jarvis Cromwell, President of Mr. Betsch's firm, and Arthur D. Whiteside, President of Dun & Bradstreet, Inc.

At the close of Mr. Whiteside's speech, an illuminated scroll was presented to Mr. Bertsch by Harry Riemer, editor of the *Daily News-Record*, and President of the Textile Square Club, which sponsored the event.

Terre Haute: The Terre Haute Association of Credit Men held an unusual meeting on November 19, at which the main feature was a film produced by Dartnell on "Strategy in Selling." This is an excellent story of the ins and outs of good salesmanship, illustrated by the modern sweater girl.

CREDIT RESEARCH FOUNDATION PLAN ANNOUNCED

Details of Program Are Presented As Approved by National Board of Directors

December 15, 1946

To Members of the National Association of Credit Men:

Undoubtedly you have heard the discussion relative to the establishment of a Credit Research Foundation. It has been a subject that has been under consideration for several years.

Herewith is a complete outline of its objectives.

The Officers and Directors of your Association have endorsed it and believe it will serve a very useful and profitable purpose.

As chairman of the Credit Research Foundation Committee, I ask your sincere consideration of the Foundation and hope that you may find it sufficiently attractive to affiliate as a Charter Member. We believe the need for the Foundation and the service it can render is particularly timely and that it can make a great contribution to the sound expansion of business in the years ahead.

Sincerely yours,
Paul W. Miller, Chairman
Credit Research Foundation Committee

WHAT THE FOUNDATION HOPES TO ACCOMPLISH FOR CREDIT

The National Association of Credit Men has completed fifty years of service to its members and to the nation. In that time it has performed continuously certain important established services. It has been a leader in furthering such other services as the enactment of sound business legislation and the raising of ethical standards in business. Yet never in its history has it had a well organized and properly financed research department.

From time to time, when the need became pressing, it undertook particular research assignments. Such instances, however, have resulted from emergency needs and have been financed by special funds. They have not been a part of a planned research program.

There are two reasons why the National Association has not developed a permanent research department in the past. Since its organization, its finances and manpower have been needed to fulfill immediate and direct responsibilities to the members. Its very creation was in the midst of economic upheaval and the pressing problems of credit practice and policy have required its best effort throughout the years.

The National Association is financed on a per capita basis rather than on the basis of ability to pay or of a measure of compensation for benefits received. The National Association's income is derived principally from the straight per capita dues of $7.50 per member. It requires this income in its normal Association activities.

How the Credit Research Idea Has Been Developed

Several years ago a group of members thought it was befitting an organization the size and standing of the National Association to expand its activities. As months went by, more and more members began to think similarly. Questions on credit matters, which could not be answered, were being asked by members. Credit executives wished they could be informed on this subject or that. Suggestions were made for expanded services in the field of credit education; for the attainment of a more secure professional status for the credit executive, and for an improved Washingfton service.

Realizing the importance of credit in the postwar period, not only with respect to our own economy but also as it will affect the world's economy and peace, these credit executives have now come forward with a request that these essential studies and services be made a part of the responsibility of the National Association of Credit Men. During the past two years the Association's officers and directors have studied with great care the best means of fulfilling these members' desires and have, as a result of their deliberations, made the following recommendations:

That there be established a Credit Research Foundation.

That it be financed on a voluntary membership basis available to each credit executive whose firm is a member of the National Association of Credit Men and to each of whom an invitation to join will be extended.

That such a Foundation shall be incorporated and governed by a Board of Trustees of fifteen elected from the membership of the Credit Research Foundation.

In broad outlines the purposes and objectives of the Credit Research Foundation shall be:

1—To encourage, foster, and promote a clearer, better understanding

of credits, and the essentiality of sound credit practices for a sound economy.

2—To protect and promote the interest of the entire credit fraternity, and in particular, the members of the National Association of Credit Men.

Seven Major Considerations for the Credit Research Foundation

The National Board of Directors and the members active in the development of this idea have been motivated by seven considerations:

1—The unanswered questions and the wishes for an added and different service from members themselves.

2—The opportunity to contribute fundamentally important economic knowledge to a world needful of it.

3—A chance to realize more fully the sum of knowledge peculiar to genuinely professional standing, for one requisite of a profession is that it make systematic contributions to the sum of knowledge peculiar to that profession.

4—The fact that they saw around them other associations carrying on research while the National Association of Credit Men, one of the largest and oldest, had not yet added that activity. They knew that the standing of the Association in the postwar period would be jeopardized without this research function. They knew that if the National Association did not explore the problems of the credit profession, someone else would. This would not reflect well on the National Association of Credit Men.

5—The need to promote a better understanding and appreciation of the importance of credit and credit education in schools, colleges, and universities and also among business executives and all people in general.

6—The importance of credit as a sales factor in our business organizations.

7—The opportunity to conduct pioneer studies in the field of foreign credit research.

The Board of Directors of the National Association of Credit Men in session October 24-26 in Chicago reaffirmed the launching of the Credit Research Foundation, and voted that the Foundation be established as soon as a total of Five Hundred Charter Members have been obtained.

Here Are Some Answers To Questions About Benefits From Credit Research

1. What will be the activities of this Foundation?

This would be for the decision of the Board of Trustees, but at present it is suggested the following would be typical research studies to receive serious consideration together with other closely connected activities such as some phrases of credit education:

a—The cause and effect of business failures.

b—A research study of cash discounts.

c—The effect of taxation on credit and business.

d—Industry credit terms and their effect.

e—Logical additional business assignments for the credit department.

f—Professional and vocational opportunities and responsibilities, in Credit Work.

g—The administration of credit departments in different types of business.

h—Problems of international trade.

2. Why isn't this a duplication of the Association's other work?

It will not be a duplication for the reason that the research activities will cover a field of interest which the Association has neither the funds nor the personnel to enter now. The basic aims and goals of the Association and the Foundation are naturally the same, and this is as it should be in two organizations so coherently related.

3. Why is the Foundation to be separately incorporated?

Originally it was intended it should be a department of the National Association, but upon advice of counsel and because of trusteeship responsibilities, it was recommended it be separately incorporated.

4. Is there to be close working arrangement between the Foundation and the National Association?

Yes. To be a member of the Foundation, you must be a member of the National Association of Credit Men. It is founded on NACM principles and goals. Three past presidents of the National Association are to serve on the Board of Trustees of the Foundation. Both the Board of Directors and the Trustees of the Foundation are to make suggestions for programs. The Foundation is to be represented on the Board of Directors of the National Association and is obliged to report to it annually and to receive recommendatinos from it.

5. Is the Credit Research Foundation necessary to finance the current activities of the National Association as they are being conducted at the present

(Continued on Page 40)

ENROLLMENT AS A CHARTER MEMBER OF THE CREDIT RESEARCH FOUNDATION

Date....................

National Association of Credit Men
One Park Avenue, New York 16, N. Y.
Gentlemen:

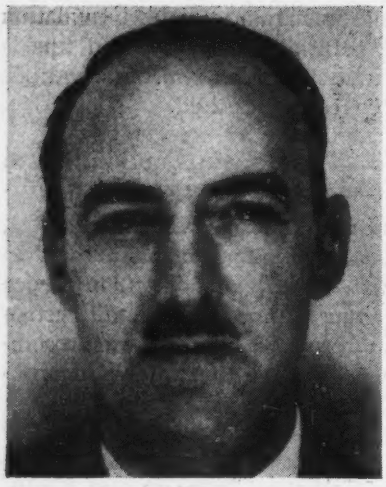
Please enroll me as one of the Charter Members of the CREDIT RESEARCH FOUNDATION of the National Association of Credit Men.

☐ I enclose check for $100.00 in payment of the first year's annual dues.

☐ Please bill my firm as listed below, sending invoice to my attention.

Signed ....
Position ....
Firm ....
Address ....
Street City State

Make check payable to National Association of Credit Men.



AKRON
Louis H. Amer
Treasurer
HAMLIN METAL PRODUCTS CO.

LOUISVILLE
John L. Wrege
President
LOUISVILLE TIN & STOVE CO.

TERRE HAUTE
Forrest G. Sherer
President
SHERER INSURANCE CO.

CANTON
E. T. Vogt
Secretary-Credit Manager
THE McLAIN GROCERY CO.

FARGO
H. W. Dabold
Credit Man & Office Manager
ARMOUR & CO.

Association Presidents

If all the pictures of all the presidents of all the Associations in the country were laid end to end nothing whatever would be achieved. Except perhaps that they would prove that to be a president you don't have to be any particular type.

We have shown old men, young men, tall men, short men, men of all complexions, shapes, sizes and degrees of masculine beauty. If physique is no factor in choosing a president, what is?

It's simple. All a man has to do is to demonstrate in his everyday life those qualities of leadership which single him out from the herd. If he does that he will be in the position of the inventor of the better mousetrap. The advertising profession to the contrary the world WILL beat a path to his door.

It is a habit of the human animal to follow, and he himself chooses whom he will follow. But very few can lead; these gentlemen are a few of that few.

BRISTOL
James A. Brown
Credit Manager
FAUCETTE CO., INC.

SIOUX FALLS
O. T. Chester
Office Manager
POWER CITY RADIO CO.

News of the Credit Women's Groups

Philadelphia: The Credit Women's Club will hold a Christmas reception and exchange of gifts on Thursday, December 19, at Strawberry Mansion in Fairmount Park. Strawberry Mansion is a particularly appropriate setting for Christmas festivities. Erected in 1789 by Judge William Lewis, a noted lawyer and close friend of Washington and Hamilton, it is nevertheless in a splendid state of preservation, and contains many original objects and furnishings of the period it represents.

Minneapolis: Letters of appreciation and commendation still continue to pour into the office of the Minneapolis Credit Women's group. Credit women from 27 cities in the United States and Canada participated in the conference, including a large group from Chicago who arrived in a chartered four-engine plane.

Mrs. Georgie M. Anderson, of Charles W. Stone Co., pictured here, is to be congratulated on a very successful event.

The Credit Women's Club associated with the Cincinnati Association of Credit Men gave a very interesting breakfast on Sunday morning, Nov. 10th, at the Netherland Plaza Hotel.

This was in connection with the Regional Credit Conference and the celebration of the 50th Anniversary of the Cincinnati Association of Credit Men held in Cincinnati Nov. 8th and 9th and was a grand climax of a very interesting conference which was attended by many women in the Region.

Representatives of Credit Women's Clubs from Ohio, Indiana, Kentucky and Pennsylvania were at the breakfast, also guests from Chicago, New York and Washington.

Three members of the National Credit Women's Executive Committee were at the speakers' table with Miss Mabel Vincent, President of the local group, who presided.

The color scheme of the decorations carried out the "Golden" Anniversary theme.

Miss Vincent gave the address of welcome and introduced, in the following order: Miss Marie Ferguson, New York City, Secretary of National Credit Women's Executive Committee; Mrs. Lucy Geib Kilmer, Cleveland, Publicity Chairman, and Miss Rosa Bassler, Cincinnati, Vice-Chairman of the National Executive Committee. Each of whom gave an interesting and inspirational talk.

Uncle Sam's Payroll

Consolidated table of Federal personnel inside and outside continental United States employed by executive agencies during September 1946, and comparison with August.

Departments or Agencies	1946		Increase	Decrease
	August	September		
Executive Office of the President:				
Bureau of the Budget	752	738		14
Executive Departments				
Agriculture Department	100,425	94,586		5,839
Commerce Department	34.368	34,243		625
Interior Department	52,642	50,816		1,826
Justice Department	24,583	24.325		258
Labor Department	32,034	31,817		217
Post Office Department	493,748	494,552	804	
State Department	20,376	22,143	1,767	
Treasury Department	103 259	102,818		441
Emergency War Agencies				
Institute of Inter-American Affairs	528	524		4
Office of Alien Property Custodian	745	749	4	
Office of Defense Transportation	99	95		4
Office of Price Administration	33,349	35,035	1,686	
Office of Scientific Research and Development	306	273		33
Office of War Mobilization	183	185	2	
Selective Service System	12,654	12,026		628
Postwar Agencies				
Civilian Production Administration	4,122	4,228	106	
Council of Economic Advisers	5	6	1	
National Wage Stabilization Board	859	817		42
Price Decontrol Board	23	22		1
American Battle Monuments Commission	52	99	47	
Civil Aeronautics Board	430	427		3
Service Service Commission	4,095	3,963		132
Export-Import Bank of Washington	110	113	3	
Federal Communications Commission	1,377	1,374		3
Federal Deposit Insurance Corporation	1,184	1,888	4	
Federal Power Commission	777	777		
Federal Security Agency	32.733	32,728		5
Federal Trade Commission	503	523	20	
Federal Works Agency	24,088	24,167	79	
General Accounting Office	12,927	12,548		379
Government Printing Office	7,251	7,148		103
Interstate Commerce Commission	2,266	2,253		13
Maritime Commission	13,753	14,560	807	
National Advisory Committee for Aeronautics	5,813	5,821	8	
National Archives	365	373	8	
National Capital Housing Authority	277	273		4
National Capital Park and Planning Com.	16	16		
National Gallery of Art	303	306	3	
National Housing Agency	18,645	18,799	154	
National Labor Relations Board	962	919		43
National Mediation Board	102	98		4
Panama Canal	28,005	27,808		197
Railroad Retirement Board	1,951	[1]1,951		
Reconstruction Finance Corporation	12,037	11,768		269
Securities and Exchange Commission	1,198	1,210	12	
Smithsonian Institution	505	515	10	
Tariff Commission	223	222		1
Tax Court of the United States	122	122		
Tennessee Valley Authority	11,377	12,454	1,077	
Veterans' Administration	189,953	201,232	11,279	
Total, Excluding War and Navy Departments	1,338,279	1,349,394	22,203	11,088
Net increase, excluding War and Navy Departments			11,115	
Navy Department, inside and outside U. S.	[3]419,280	[3]394,740		24,540
War Department				
Inside Continental United States	591,898	527,895		64,003
Outside Continental United States	[4]262,802	,208,930		53,872
Total, including War and Navy Departments	2,612,259	2,480,959	22,203	153,503
Net decrease, including War and Navy Departments			131,300	

[1] No data avilable for Railroad Retirement Board for September 1946.

[2] Includes 56, employees outside the United States as of July 31, 1946.

[3] Includes 53,979 employees outside the United States as of August 31, 1946.

[4] Figures as of July 31, 1946.

, Figures as of August 31, 1946.

San Francisco: The San Francisco Credit Women's Club were hostesses at their November meeting to the entire membership of the Credit Managers' Association of Northern and Central California.

Highlighting the evening's entertainment, which included a Quiz Program with cash awards, was an informative presentation "Credit Lines and By-Lines" given by May Ellen Leary, Author and Political Editor of the San Francisco News.

Mary King, San Francisco delegate to the National Credit Women's Group Conference in Minneapolis, gave an interesting first-hand report on the National Meeting from which she recently returned.

St. Paul: The monthly meeting of the St. Paul Credit Women's Club was well attended and matters of interest discussed. As our speaker we were fortunate in securing Miss Tanner, Executive Secretary of the International Institute, who gave us a most interesting talk on "The Festival of Nations" and also went on to tell of the work of this institute.

We also held our annual fall card party this month which was a decided success both from a financial standpoint and also judging from the comments of our guests who all agreed they had a most enjoyable time.

Newark: The New Jersey Credit Women's Group held their annual Christmas party on December 12. The party took the form of a dinner and dance at the Elizabeth Carteret Hotel, Elizabeth, N. J. There were prizes galore, community singing, special dance exhibitions and a contest for the best dancers.

Chicago: The Credit Women's Club awarded four one-half scholarships to the highest ranking women students attending the Credit and Collection classes sponsored by the Chicago Association of Credit Men, at a dinner held November 11, in the Morrison Hotel. The scholarships are to Northwestern University and they were awarded by the president of the Credit Women's Club, Mrs. Jenny White, of Rummler, Rummler & Davis.

Los Angeles: The Credit Women's Club of Los Angeles celebrated its annual Christmas party this year by being hostess to the children of the Volunteers of America Children's Home.

The party was held at the Home, and each member adopted a child for the evening. There was an especially selected gift for each child. Entertainment was a puppet show, colored cartoons with sound and Christmas Carols. Mrs. Ray Andrews, Credit Manager of the Essick Manufacturing Company, and the clubs' Vice-President and Program Chairman, was in charge of the party.

Utica: Members of the Utica Credit Women's Group did not hold their regular meeting last month; instead they were guests of the Utica Association of Credit Men on November 20 at whose meeting the speaker was Henry H. Heimann.

Mr. Heimann, in his talk, reiterated his demand for a sound fiscal program for the country, and a balanced budget.

Drug Manufacturers Hold Annual Credit Conference in Chicago

Chicago: Representatives of leading drug and chemical manufacturing companies throughout the middle west attended the thirteenth annual Midwest Drug and Allied Lines Credit Conference at the Congress Hotel, Chicago, Friday, November 15. The Conference was sponsored by the Drug and Allied Lines Credit Group of the Chicago Association of Credit Men's Service Corporation of which F. M. McNamara, E. R. Squibb and Sons, is Chairman, and James S. Cox, Secretary-Manager of the Chicago Association of Credit Men, is Secretary.

Speakers at the morning session and their subjects were: "What's Ahead for the Drug Store," A. C. Kane, Weco Products Company; "The Credit Executive Today and Tomorrow," D. R. Pershing, Dixie Cup Company; "Drug Trade Problems in a Post War Economy," Lewis J. Ruskin, Associated Products, Inc.

C. W. Dittmar, Crane Company, President of the Chicago Association of Credit Men, welcomed the guests at the luncheon at which the speaker was General Carl R. Gray, Jr., Vice President of the Chicago and Northwestern Railway System, whose subject was, "Medical Service on the Railroad During World War II." General Gray rendered outstanding service during the war in the transportation field in Europe.

The afternoon session was given over to a symposium on, "What's on Your Mind," with Aaron Touff, Golden Rod Ice Cream Company, presiding.

Past Presidents' Night Observed at South Bend

South Bend: Past presidents' night was celebrated by the South Bend Association of Credit Men on November 21. Two speakers were scheduled and their topic was "Cooperation and Coordination of Credit and Sales Departments."

Mr. M. L. Rufer, the first speaker, is assistant treasurer of Standard Oil Co. of Indiana. Mr. R. F. Baity is assistant general manager of sales for the same company. Together they discussed cooperation between their individual divisions.

David A. Weir Addresses Columbus Credit Group

Columbus: David A. Weir, Secretary and Assistant Executive Manager of the NACM, addressed the Columbus Credit Association on November 13 on the subject of "Stormy C's." This was the first dinner meeting of the Columbus Association, which was organized a year ago, and already has a membership of fifty-five.

Guests at the meeting included National Director Otto E. Dreutzer, Harry W. Voss, Secretary-Manager of the Cincinnati Association and Mr. T. C. Weir, the speaker's father.

New York Holds Full Day Conference On International Credit

New York: George E. Quisenberry, vice-president, Business Publishers International Corporation, was one of the main speakers at the International Credit Conference, sponsored by the New York Credit Men's Association on November 20. Mr. Quisenberry, speaking on the subject of United States aid to foreign countries, stated that accusations that foreign traders lack either the knowledge or ability to carry United States trade around the world are based on either ignorance or slander. It is equally slanderous, he added, to say that the United States is not sharing its goods with nations overseas.

President Earl N. Felio made the opening speech of the Conference in which he warned that thousands of companies, who were not previously in the export business, are now coming into the field. They are anxious to get a share of the coming rush of business, he said, but many will be caught in the problems which await those who enter the field without understanding the regulations of the different methods of doing business in different countries.

Otto T. Kreuser, second vice-president of the Chase National Bank, in his address stressed the utmost importance of the shipper observing scrupulously the terms of the Letter of Credit and noted how exporters commonly fall down in this respect.

Leo J. Burnes, general manager of Himrod Manufacturing Co., stressed the changes in foreign trade financing since the pre-Federal Reserve Bank Period.

The conference, which has been looked forward to for some time in the New York area, was an all day affair, commencing with Mr. Felio's address of welcome in the morning and finishing at 5:00 in the afternoon.

The North Central Credit Conference for 1947 will be held in Fargo, North Dakota on March 22, according to a notice just received from Brace Bennitt, Executive Secretary-Treasurer of the Minneapolis Association of Credit Men. Headquarters will be in the Hotel Gardner and about three hundred guests are expected.

Kansas Cooperatives Subject to Taxation

Topeka: The Kansas State Commission of Revenue and Taxation recently issued a ruling that cooperative enterprises within the State of Kansas must file Income Tax Reports. The Commission also ruled that dividends received by members of the co-ops are subject to the State Individual Income Tax. The commission has held that if earnings and savings of cooperatvie organizations are set aside for reserve and not credited to members' accounts such earnings are taxable.

Louisville Education Forum Delves Into Statement Analysis

Louisville: The first of a series of forum meetings sponsored by the Louisville Association's Credit Education Committee was held on November 26. The subject under discussion was "Analysis of Financial Statements" and the speakers were: Berl, Boyd, Credit Manager, Belknap Hardware & Manufacturing Company, and Rodgers L. Wyckoff, Vice President, Liberty National Bank & Trust Co.

Mr. Boyd was president of the Louisville Association in 1940 to 1941. He has also been a member of the Kentucky bar since 1922. Mr. Wyckoff is on the Board of Directors of the Robert Morris Associates, Chairman of the National Membership Committee, and for the fifth time is teaching the course in Financial Statements Analysis for the American Institute of Banking.

Milwaukee NIC Chapter Prepares 1947 Schedule

Milwaukee: The Institute Chapter of the Milwaukee Association of Credit Men held a meeting November 6 to adopt Constitution and By-Laws—to discuss program for balance of 1946-1947 season and requirements of National Institute of Credit to achieve Associate and Fellow Awards.

President Ed Zick, 1st Wisconsin National Bank, presided and reports were made by Secretary-Treasurer Tony Mucha, Red Star Yeast, Vice-President Clarence Wollersheim, Air Reduction Sales, and O. H. Berryman, J. Pritzlaff Hardware Co.

Norfolk Credit Men Install New Board

Norfolk: The new officers of the Norfolk Tidewater Association of Credit Men were elected and installed at the annual meeting held on November 12.

Elected president was D. H. Craun. Charles B. Kello, Jr., was elected vice president, John J. Johnson, treasurer, and Henry H. Krick, secretary.

Mr. Craun has been active member of the Credit Association for many years.

Past Presidents Honored At St. Louis Jubilee

St. Louis: At the Fiftieth Anniversary dinner held in St. Louis recently twenty-three past presidents were guests of honor. W. E. Tarlton, vice president, of Brown Shoe Co., and a former National Director of the NACM, was also honored.

The oldest former presidents in term of both age and service was John A. Louis, president in 1902-3. He is eighty-two years of age.

Other former presidents attending the dinner were: C. C. Robertson, Woodward & Tiernan Printing Co., association president 1910-1911; J. W. Chilton, D'Oench Co., realtors, 1914-1915; Stuart Campbell, M. & G. Hearing Aids 1921-1922; Arthur Sherwood, retired as credit manager of Morton's Salt Co., 1922-1923.

A. E. Fisher, now secretary-treasurer and manager of the local association and president in 1924-1925; John P. Reed, general credit manager of Brown Shoe Co., 1925-1926; Harvey L. Welch, First National Bank, 1926-1927; Albert Wagenfuehr, Boatmens National Bank, 1929-1930; John F. Burmeister, Citizens National Bank, Maplewood, 1930-1931; I. J. Gale, president of Elvins Department store, Elvins, Mo., and formerly credit manager of Rice-Stix Dry Goods Co., 1932-1933.

F. J. Blum, Midwest Piping & Supply Co., Inc., 1933-1934; O. S. Dietz, General Electric Supply Co., 1935-1936; C. R. Bressem, liquor wholesaler, 1936-1937; H. A. Pecher, Skinner & Kennedy Stationery Co., 1937-1938; R. C. Knaup, Bemis Bros. Bag Co., 1938-1939; Edward W. Henne, Missouri Portland Cement Co., 1939-1940.

H. E. Bucher, Graybar Electric Co., 1942-1943; O. E. Dede, Krey Packing Co., 1943-1944; V. C. Egerding, Gaylord Container Corp., 1944-1945; O. A. Wangerin, Griesedieck Bros. Brewery Co., 1945-1946.

NACM Services Outlined To Peoria Membership

Peoria: Fred Schrop was among the speakers at the meeting of the Peoria Association of Wholesale Credit Men on November 19. Mr. Schrop is the third representative of the National Association to visit Peoria this year. Henry H. Heimann spoke to the members last spring, and on October 16 E. L. Blaine, Jr., National President, was speaker.

Mr. Schrop reviewed the benefits and activities of the National Association and presented an interesting report on the progress made to date in preparations for the 1947 Convention in New York.

Salesmanship Subject Of November Meet of Boston NIC Chapter

Boston: The Boston Chapter, National Institute of Credit, held their November meeting on the 20th at the Women's Educational and Industrial Union, Perkins Hall, 264 Boylston Street, Boston.

Mr. Wendell H. Berry of the First National Bank of Boston gave an excellent address on the subject of "Salesmanship in the Credit Department." Mr. Alan A. Lees of Dun & Bradstreet, Inc., also spoke on the subject "Weathering the Rough Seas Ahead in Business."

Both speakers displayed a thorough knowledge of their subjects and the members of the Chapter carried back with them to their respective jobs, new and thought provoking ideas.

Binghamton: At the November 20 meeting of the Triple Cities Women's Credit Club Mrs. Mary K. DeWitt, Manager of the Blind Association, gave a most worthwhile account of the work of her organization. Since Thanksgiving was just around the corner, each member brought an item of merchandise so that the dinner would be a success.

NY Herald Tribune Writers Featured at Monthly Meeting

New York: Continuing the fine series of luncheon forums arranged by the public meetings committee, of which A. James Mill, of Mill Factors Corporation is Chairman, the New York Credit Men's Association on December 3rd presented two outstanding members of the staff of the *New York Herald Tribune*.

Capt. William E. Haskell, Assistant to the President, chose to title his talk "What is Going On?" Capt. Haskell, acknowledged as one of the nation's foremost speakers, analyzed the forces which influence events as they are happening today.

The other speaker, Eugene Dickhuth, financial Expert of the *Herald Tribune*, gave an appraisal of what business management can expect to face in the next twelve months.

Chicago Financial Forum Attracts Large Audience

"The Financial Merry-Go-Round," so popular in the Chicago Association of Credit Men's Circles, attracted more than 500 at the November Dinner Meeting of the Association in the Louis XVI Room at the Sherman Hotel.

William L. Ayers, Finance Magazine, was the Moderator and the speakers, all prominent financial editors of Chicago daily newspapers, and their subjects were: "Fundamental Government Controls," David Dillman, the Chicago Journal of Commerce; "Automobiles and Tires," Philip F. Hampson, the Chicago Tribune; "The Stock Market," Edward A. Kandlik, the Chicago Sun; "The Retail Outlook, Herman Gastrell Seely, the Chicago Daily News, and "Inflation and Deflation," Robert P. Vanderpoel, the Chicago Herald-American.

The Question and Answer period of the program proved unusually interesting and informative. In replying to the question most asked as to what credit executives should do in the present situation, the financial editors were united in saying, "Watch your step."

Minnesota Credit Men Gird For Renewed Par Clearance Fight

Minneapolis: The Minneapolis Association of Credit Men joined with the Retail Credit Association on November 20, to hear David A. Weir. The meeting was an outstanding event, with nearly 500 present.

The legislative chairmen of the three Minnesota Associations, Duluth, St. Paul and Minneapolis, have been meeting frequently to perfect the plan for the reintroduction of the Par clearance bill when the Minnesota legislature convenes on January 2nd. Interest is high in this matter, as Minnesota has the largest number of remaining non-par banks of any state in the Union.

Research Foundation

(*Continued from Page 35*)

time?

No. The fund is not needed to finance the current activities of the National Association, since it is now operating with a balanced budget. However, no material expansion of the present program of the National Association could be undertaken safely on the present budget.

6. Has the Credit Research Foundation been approved by the Board of Directors of the National Association of Credit Men?

Yes, all its organization plans were given the approval of the Board at its October meeting and authority was voted to proceed with the incorporation and inauguration of the Credit Research Foundation as soon as 500 charter members have been enrolled.

7. When is it proposed to launch the Foundation?

It is expected to begin its activities early in 1947.

8. How are the charter membership subscriptions to be handled by the National Association?

All subscriptions will be deposited by the National Association in a trust fund to be held for the use of the Credit Research Foundation. In the event that the Credit Research Foundation is not finally incorporated and organized, charter membership subscriptions will be returned to subscribers.

Milwaukee: A delegation of 15 Credit Women from Milwaukee attended the Minneapolis Credit Women's Conference on October 19th and 20th; they returned home enriched with new ideas in credit work.

The following Tuesday at the regular monthly meeting the group was visited by Marie Ferguson, Secretary of the National Executive Committee of the Credit Women's Groups; Mary Curran, of the Jones, McDuffee and Stratton Co., National Director and Irene Austin, of the Consolidated Biscuit Co., of Chicago.

Bridgeport: The Bridgeport Credit Women's Group dinner meeting was held on November 18. Marian McSherry of the New York Credit Women's Group was the speaker choosing as her subject "Formal Education Among Women Engaged in Credit Work". Marie Ferguson, Secretary of the National Credit Women's Executive Committee, was also present.

Experts Disagree On Causes of Current Problems at Baltimore

Baltimore: A lively evening was enjoyed at the Hotel Stafford on November 26th, when a panel of three speakers held forth before the monthly dinner meeting of the Baltimore Association of Credit Men. The trio comprised David A. Weir, Assistant Executive Manager of the NACM, Dr. Howard E. Cooper of Johns Hopkins University, and William B. Marshall, Credit Executive of Butler Brothers.

According to Dr. Cooper, unionism is the most pressing problem facing this country at the present time. Mr. Marshall, however, laid the blame squarely in the lap of management, whose, duty, he held, is to restore labor to the point where it feels it "belongs".

Mr. Weir made the point that there never was overproduction of goods, only maldistribution. Labor, government and management should get together, he said, and not lose sight of the true fundamental of prosperity—production.

Amarillo: Thirty-eight members and guests came down to the November 21st meeting of the Amarillo Credit Women, which was held at the Herring Hotel. John McCarty, guest speaker and publisher of the Globe-News Publishing Company, told the story of Frenchy McCormick, the last of the western frontier girls.

Profit-Minded Credit Manager

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get limitations. I should like to illustrate this by a definite example. Let us suppose that a company makes only one product whose costs and selling price are budgeted as follows:

Material Cost	45.00
Manufacturing Direct Labor	25.00
Manufacturing Overhead	10.00
Total Factory Cost	80.00
Selling Expenses	7.00
Administrative Expenses	4.00
Provision for Losses	1.00
Total Cost	92.00
Profit	8.00
Total Selling Price	100.00

Here the company is putting up $92.00 to make $8.00. There isn't much room there for anyone to fall down. With material cost at $45.00 any poor work or carelessness on the part of the Purchasing Agent, involving even only 10%, can more than cut the $8.00 profit in half. Similarly the Production Manager and factory foreman by permitting material to be spoiled or used wastefully have failed in their job of protecting that $8.00 profit. They have the further responsibility for the efficient use of labor and for economical overhead, the next two largest items. Then come the obligations of the Sales Manager to keep within his $7.00 and the administrative management inside its $4.00. Last, but not least, comes the credit manager with his $1.00 to protect. This indeed seems very small but I have already shown that a total loss of an account means not just the loss of the profit but of the material, labor and all the rest as well.

What I am trying to bring out is that the whole group of responsible executives should always be conscious, not just of keeping their costs down, but also of their respective obligations to protect that little $8.00 profit. It is once more the case of looking at the small end of the funnel rather than the large. Anyone of them, by failure to protect his own part, can offset very largely the valiant efforts of his associates to keep that $8.00 intact. Truly, for success, the whole organization must be profit-minded and always aware of just what that involves.

Conclusion

Finally the credit manager and the whole organization too, for that matter, can be profit-minded on a finer and grander scale. I mean by support of our profit system which is now under such strong attack from so many quarters. With your great experience in and knowledge of business, also of history, economics and world affaris, you understand clearly how and why profits are the very lifeblood of business and progress. You know also that they have been the strongest spur and the principal impetus to the growth and development of our great country. Clearly then it is your responsibility and mine to defend and support the profit system on every occasion if we are to save the system of private enterprise. Only by doing so can we all keep from becoming servants of the state in an ant or bee hive type of civilization.